Vital lift-off
High stakes for Arianespace
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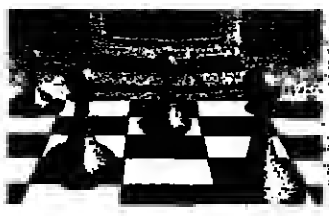

Man versus chip
Chess masters take on the computer
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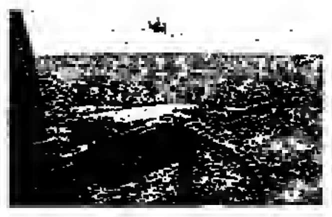


IN TOMORROW'S
Weekend FT
On the trail of drug traffickers

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY MAY 6 1994 — D8523A

Yemen nearer to civil war as jets hit rival capitals

Yemen edged closer to civil war as northern and southern army units battled each other in the streets and air force jets pounded rival capitals. Residents in Sanaa, Yemen's federal capital, said southern air force jets struck the international airport and the presidential palace.

Yemen, one of the poorest countries in the Middle East with a modest oil production, has been plagued by political rivalry since Marxist South Yemen and tribal, conservative North Yemen merged four years ago. Page 16

Recovery boosts Kohl: German chancellor Helmut Kohl appeared to have reversed the trend of declining popularity both for himself and his Christian Democratic Union, in line with indicators showing a revival of economic activity. Page 16

News Corporation, Rupert Murdoch's media and publishing group, announced a 27.6 per cent increase in profits after tax but before abnormal items, to A$852.8m ($600m) in the nine months to end-March. Page 17; Lex, Page 16

Singapore caning sentence carried out

US citizen Michael Fay (left), 18, was given four strokes of the rotan, a 4ft cane, in Singapore following his conviction for vandalism offences, including spray painting cars. President Bill Clinton condemned the caning, saying Singapore had made "a mistake". Singapore's ambassador to the US was summoned to the state department to receive US protests. Page 4

Dispute over ABB bid for energy grant: A bid by Asea Brown Boveri, Europe's biggest electrical engineering company, to participate in a US programme to develop the next generation of turbines is running into opposition from General Electric, its largest US competitor. Page 5

Fiske subpoenas White House files: Whitewater special prosecutor Robert Fiske subpoenaed all White House files pertaining to Vincent Foster, the deputy White House counsel who police say killed himself last summer.

Palestinians prepare for self-rule: An advance team of Palestinian policemen toured the Gaza Strip amid fears the Palestine Liberation Organisation would not be able to implement swiftly its self-rule agreement with Israel. Page 16; PLO denies being unready, Page 4

Rhône Poulenc, French chemicals and pharmaceuticals group privatised last year, reported a sharp fall in first quarter net profits to FFr189m ($32.4m) from FFr676m in the first three months of 1993. Page 17

Russian electoral fraud alleged: Last year's referendum which approved the Russian constitution was invalid because 50 per cent of voters did not take part, according to a report which alleges massive corruption at every level of vote counting. Page 3

Socialist MEPs' boycott infuriates Italy: Socialist Euro-MPs provoked a furious reaction from Italy's president after voting to boycott any Italian neo-fascists taking part in EU institutions. Page 2

Listing for PT Indosat: Indonesia is to list 25 per cent of PT Indosat, state-owned telecommunications group, in New York and has hired Merrill Lynch as lead underwriter. Page 17

Party of dictators set for Panama win: The party of Panama's former military dictators, Omar Torrijos and Manuel Noriega, is heading into Sunday's presidential elections as favourite to provide the country's next head-of-state. Page 6

Turkey acts on banks: The Turkish government moved to restore confidence in the banking system in the wake of recent bank collapses, announcing it would provide unlimited deposit insurance cover in the case of a bank going under. Page 2

Market fears over Sri Lanka: Sri Lankan shares have fallen sharply amid concerns about the stability of president D.B. Wijetunga's government. Page 4

Firefighters suspected in Malibu blaze: A Los Angeles firefighter was taken off active duty and another suspended after investigators blamed them for setting last year's $375m fire that killed three people and destroyed 350 homes.

■ STOCK MARKET INDICES		
FT-SE 100:	3,106.0	(+35.5)
Yield	3.91	
FT-SE Eurotrack 100	1,449.10	(+1.42)
FT-SE-A All-Share	1,572.45	(+0.9%)
Nikkei	closed	
New York lunchtime:		
Dow Jones Ind Ave	3,706.08	(+8.33)
S&P Composite	452.88	(+0.36)
■ US LUNCHTIME RATES		
Federal Funds:	3¾%	
3-mo Treas Bills: Yld	4.097%	
Long Bond	87⅛	
Yield	7.322%	
■ LONDON MONEY		
3-mo Interbank	5¼%	(Same)
Liffe long gilt future:	Jun 104⅝	(Jun103⅞)
■ NORTH SEA OIL (Argus)		
Brent 15-day (June)	$15.72	(15.75)
■ Gold		
New York Comex (Jun)	$374.7	(377.7)
London	$374.7	(375.5)

■ STERLING		
New York lunchtime:		
$	1.4995	
London:		
$	1.4968	(1.4988)
DM	2.4969	(2.491)
FFr	8.5569	(8.5286)
SFr	2.1234	(2.1201)
Y	153.709	(153.185)
£ Index	79.8	(79.6)
■ DOLLAR		
New York lunchtime:		
DM	1.66385	
FFr	5.70775	
SFr	1.4145	
Y	102.675	
London:		
DM	1.6682	(1.662)
FFr	5.717	(5.6903)
SFr	1.4187	(1.4145)
Y	102.695	(102.205)
$ Index	65.4	(65.2)
Tokyo closed		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
						South Africa	R12.00
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	Spain	Pta225
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Sweden	SKr16
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Switz	SFr3.30
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£50.00
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Tunisia	Din1.500
France	FFr9.50	Kuwait	Fils.625	Poland	Zl32,000	Turkey	L30000
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	UAE	Dh12.00

ANC close to crucial two-thirds majority in poll

By Michael Holman and Mark Suzman in Johannesburg

South Africa's Independent Electoral Commission is expected to release final results today confirming the overwhelming victory of Mr Nelson Mandela's African National Congress in last week's all-race poll.

Any further delay in the count could upset the timetable leading to Mr Mandela's inauguration as president next Tuesday. Leaders of all parties regard it as unthinkable that the event, expected to be attended by more than 40 presidents, prime ministers and other leading state representatives, should be postponed.

The latest official count, based on figures made available last night, showed the ANC edging further towards the two-thirds majority in the 400-member National Assembly that would give it the power to draft the country's constitution.

The commission's latest batch of figures, encompassing more than 70 per cent of the estimated electorate, showed the ANC consolidating its lead with 65.4 per cent of the vote. The National party, led by outgoing president F.W. de Klerk, was second at 20.3 per cent and the Inkatha Freedom party third on 7.9 per cent.

The assembly is required to draw up a new constitution which will be the basis of the next election, due to take place by 1999. The principles of this constitution, however, have already been agreed in the course of multi-party negotiations which ended late last year.

The strong support for the ANC will also reinforce its dominance of the cabinet, where posts will be allocated according to the parties' electoral showing. Mr Mandela has hinted, however, that he will offer ministries to the conservative Freedom Front, the liberal Democratic party and the radical black Pan Africanist Congress, although none is likely to achieve the minimum 5 per cent of the vote required for cabinet representation.

The Freedom Front's share stood last night at 2.2 per cent while the DP had 1.6 per cent and the PAC 1.3 per cent. This was based on 16.4m votes counted out of an estimated turnout of close to 23m.

Acknowledging that counting continued to be slow, the commission said the need to verify the tallies was holding up the process.

The decision on Wednesday by Mr Justice Johann Kriegler, head of the IEC, to allow the parties to interpret disputed ballots according to a complicated weighting system attracted vigorous criticism yesterday.

In a front-page editorial, Business Day newspaper accused Mr Justice Kriegler of "dissembling" and hiding "the full truth of the political deals he has helped cut with major parties from the millions of voters whose commitment and hope gave the election its value."

Jittery markets dropped further on the lack of new information. The financial rand, the main barometer of international investor confidence, shed 6 cents in London to close at R4.79 to the dollar, a decline of nearly 5 per cent over the past two days. The stock market's overall index finished 22 points down at 5,231.

"The mood's very nervous at the moment," observed one broker. However, the gloom was partially offset by an announcement from President Bill Clinton that US aid to South Africa would total $600m over the next three years.

Blow to Spanish PM as former finance and interior ministers resign seats in Cortes

González vows to stay on and fight corruption

By David White in Madrid

Mr Felipe González, the Spanish prime minister, stated firmly yesterday that he intended to maintain his hold on government and to tackle the corruption cases at the source of the country's political crisis.

He said it would be "an irresponsible act" to resign and rejected a snap election. He was nevertheless badly wounded when his former finance minister and political soul-mate, Mr Carlos Solchaga, quit as leader of the ruling Socialist parliamentary party and resigned his seat in the Cortes.

Mr Solchaga's appointment last year was an important element in Mr González's effort to weaken the grip leftwing Socialists had enjoyed over the parliamentary party for more than a decade.

His position had been called into question because of his staunch backing, as finance minister, for Mr Mariano Rubio, the former Bank of Spain governor who now faces fraud charges.

Mr González's statement, broadcast live on television and radio, came after reassurances from Catalan and Basque regional parties that they did not intend to destabilise the minority Socialist government.

His appearance brought relief to nervous securities and foreign exchange markets. The Madrid general share index rose 1.5 per cent, regaining most of the ground lost on Wednesday because of the crisis, and the peseta recovered somewhat after falling sharply against the dollar and D-Mark.

Mr González rejected the idea of a wider cabinet reshuffle after the resignation of his interior and agriculture ministers in connection with corruption scandals.

Mr Rubio and Mr Manuel de la Concha, a former stock exchange head who handled his investment portfolio, were remanded in custody without bail at Madrid's Carabanchel prison yesterday after being arrested on Wednesday night.

A former interior minister, and close González ally, Mr Jose Luis Corcuera, also resigned his parliamentary seat yesterday because of his connection with Mr Luis Roldan, ex-chief of the paramilitary Guardia Civil, who went missing last Friday. An international arrest warrant has been issued for Mr Roldan alleging tax fraud, bribery, misappropriation and other offences.

The latest resignations will not affect the parliamentary balance since the Spanish system provides for the seats to be filled by the same party.

Mr González held talks early yesterday in Madrid with Mr Jordi Pujol, leader of the Catalan nationalist party whose support the Socialists rely on to carry a majority in parliament. He assured Mr Pujol the government would press ahead with a free-market economic programme and combat corruption.

Expressing confidence that the government had the support it needed, Mr González dismissed suggestions that he would be a "hostage" to Catalan demands. He said there was no reason for early elections, nor for a confidence vote now in parliament, although he did not rule this out.

Mr González accepted that the government was going through "a bad moment" and that confidence had been undermined.

Mr Juan Alberto Belloch, 44-year-old justice minister, was appointed to take over the interior ministry in a combined portfolio. The new agriculture minister is Mr Luis Atienza, 36, now undersecretary for energy.

Markets recover, Page 2

Felipe González: determined to fight the corruption allegations at the heart of Spain's political crisis — Reuter

Respite for dollar ahead of jobs data

By Philip Gawith in London and Patrick Harverson in New York

The US won some respite in its battle to defend the dollar yesterday, as many investors took to the sidelines ahead of important US April jobs data today.

The dollar was firmer in quiet trading on the foreign exchanges, with some traders clearly chastened by Wednesday's concerted round of intervention by more than 15 central banks to back the ailing US currency.

"The market's clearly taking a pause to see what happens with the [jobs] numbers," said Mr Steve Geovanis, head of foreign exchange trading at Merrill Lynch in New York.

By 1pm in New York, the dollar was up almost 1 pfennig against the D-Mark at DM1.6635, and nearly Y1 at Y102.63. Dealers said the market appeared to have set a temporary "floor" for the currency at DM.6550 and Y102.50.

The consensus among observers was that while the intervention had succeeded in breaking the bearish dollar psychology, supportive policy measures in the form of lower German interest rates, higher US rates and market access measures in Japan, would be necessary to turn the dollar around. Mr

Continued on Page 16
Editorial Comment, Page 15; Bonds, Page 24; London stocks, Page 29; Currencies, Page 34; World stocks, Page 36

Liquidators to sue directors over the collapse of BCCI

By Andrew Jack in London

The liquidators to the collapsed Bank of Credit and Commerce International are suing the bank's directors for failing in their duties, it emerged yesterday.

The action is significant because it is the first move against the board members of BCCI, which was closed by regulators in July 1991 after evidence emerged of widespread fraud.

It comes on top of litigation to recover funds for creditors brought by the liquidators against BCCI's auditors, the Bank of England and Sheikh Khalid bin Mahfouz and National Commercial Bank of Saudi Arabia.

Partners from Touche Ross, the accountancy firm, issued the writ in the last few weeks through the courts inLuxembourg where the BCCI holding company is registered.

Those named in the writ include Mr Alfred Hartman, Mr Cliff Twitchen, Mr Yves Lamarche, Mr J D Van Oenen and Sheikh Khalid, former chief operating officer of National Commercial Bank.

However, one director, Mr Ghanim Faris Al Mazrui, the representative on the BCCI board since the early 1980s of the government of Abu Dhabi, the majority shareholder in the bank, has not been named.

The decision to exclude his name reflects an attempt by the liquidators to prevent any difficulties in finalising an agreement with Abu Dhabi over a payment of $1.8bn in exchange for a waiver of future legal action.

But it is believed the liquidators have not discounted the possibility of adding Mr Mazrui's name in future if the agreement with Abu Dhabi ultimately founders.

The writ is not a public document, and is couched in general terms alleging that the directors failed in their duties under Luxembourg company law. It is not expected to advance quickly to hearings.

In an interview with the Financial Times in February, Mr Mazrui protested his innocence even though he was on the BCCI board for 10 years before the closure. "I can say from now till the Day of Judgment from what I can see no one on the board knew about the fraud. We never, never suspected," he said.

Mr Hartman said yesterday: "If anything happens the directors will defend themselves. They were not aware of the fraud, which was very, very cleverly done. They have acted the best they could." The other directors could not be contacted yesterday.

The liquidators continue to negotiate with the BCCI creditors' committee and the government of Abu Dhabi over the details of an agreement tentatively approved in March.

Meanwhile, accountants Price Waterhouse and Ernst & Whinney, now part of Ernst & Young, in the last few days filed their defences to a claim from the liquidators for up to $11bn for their allegedly faulty auditing of BCCI.

CONTENTS

Turkey acts to stave off run on banks

By John Murray Brown in Istanbul

The Turkish government yesterday moved to restore public confidence in the banking system in the wake of recent bank collapses, announcing it would provide unlimited deposit insurance cover in the case of a bank going under.

The move follows criticism of the handling last month of the closure of three small private banks – Turkish Tourism and Investment Bank TYT, Marmara Bank and Impex-Bank.

It also reflects growing official concern that other banks could be hit by a run on deposits in the wake of a 50 per cent depreciation of the lira and the recent bank closures.

Announcing the scheme, Mrs Tansu Çiller, prime minister, said press speculation about the health of the banking sector had "created an uncertain atmosphere".

IBCA, the London rating agency, estimates around 12 per cent of foreign exchange deposits were withdrawn in the first six weeks of the crisis. Bankers say it is considerably more today.

Until now, under the central bank's deposit insurance a depositor would be paid up to TL150bn. The new scheme, which does not cover the three failed banks, will have no upper limit, and will cover lira and foreign exchange deposits.

The move was criticised by some bankers, who pointed out that without the risk that depositors might lose their money, competition between banks would now be decided not by the quality of the management but by the interest rates being offered.

However a shakeout seems unavoidable. This week, Garanti Bank, one of the stronger private banks, took over the troubled Bank Ekspres, and brokers say a number of other banking assets could soon be up for sale.

Yesterday's move on deposit insurance comes in the wake of earlier action to introduce a lifeboat system for banks suffering a run on deposits. It coincides with a mission by the International Monetary Fund to discuss Mrs Çiller's recently unveiled austerity programme. If the Fund approves the package, Turkey will sign a letter of intent, paving the way for agreement on a standby facility, and allowing Turkey to return to international debt markets.

Turkey's creditworthiness is certain to be affected by the way the government settles the foreign liabilities of the three failed banks, which are estimated at $200m. Twelve of the leading bank creditors were told by the Treasury last week there would be no repayment guarantee, and settlement would be made as part of the liquidation of the banks, which may take months.

The creditors group includes UBS and SBC of Switzerland, National Bank of Australia, Commonwealth Bank, the Australian state bank, and the French banks Paribas and the state-owned Banque Française Commerciale Extérieure.

Half of the liabilities represent letters of credit and pre-export financing for Turkish importers.

● The World Bank has approved a $100m credit to support Turkey's privatisation plans, in a clear signal of support for the government's recent economic austerity programme.

The bank loan, repayable over 17 years with a five-year grace period, will cover the cost of foreign bank consultants, legal advisers and public relations experts. It will also help finance a labour restructuring programme inclnding work on a social safety net, and a feasibility study for the Zonguldak region, where the government has earmarked the coal mines for closures.

The government plans to raise $3.5bn in 1994 to help close the budget gap. With international debt markets all but closed to Turkey in the wake of repeated downgradings by international credit agencies, revenues from privatisation are critical to Turkey's balance of payments.

In 1994, the government is aiming to sell Tupras, the state oil refinery corporation, and Petrol Ofisi, the retail operator, either to a strategic industrial buyer or through an international share flotation or a combination of the two. Turk Hava Yollari, the Turkish airline, is also up for sala this year, together with Erdemir iron and steel works.

Socialist Euro-MPs' boycott infuriates Italy

By David Gardner in Strasbourg and Robert Graham in Rome

Socialist Euro-MPs yesterday provoked a furious reaction from Italy's president after voting to boycott any Italian neo-fascists taking part in EU institutions. The action follows last month's election victory by Mr Silvio Berlusconi's three-party coalition, which includes the far-right MSI/National Alliance.

The Socialists, set to dominate the increasingly powerful Strasbourg assembly after next month's Euro-elections, say they will withhold co-operation from the Council of Ministers of the 12 on vital issues like the EU budget if Italy is represented there by neo-fascist ministers.

They have also decided to block parliament's mandatory endorsement of the new European Commission – due to take over in 1995 – should a Berlusconi government seek to send a neo-fascist Commissioner to Brussels.

The move brought an instantaneous angry reply from Italy's President Oscar Luigi Scalfaro and cast a cloud over the formation of the next Italian government.

President Scalfaro was so furious over what he regarded as an unwarranted interference in internal affairs of an EU member that within eight minntes of the vote he had issued a formal reply.

The lapidary tone of the reply made his feelings clear: "Italy's adherence to principles and values that form the basis of Europe is crystal clear and beyond discussion, and we need no one to either tell us this or offer to give us lessons."

The full parliament, in which the Socialists are already the largest bloc, voted late on Wednesday night to remind Italy that it "must be faithful to the fundamental values which lay behind the foundation of the European Community."

The motion – an unprecedented intervention in the politics of a member state – was carried by 189 to 188. The Christian Democrats, now the second largest bloc at Strasbourg, inclnding the parliament's president, Mr Egon Klepsch, voted against.

Mr Jean-Pierre Cot, leader of the Socialist MEPs, said yesterday: "This Union was founded on the ashes of fascism." He denied interference in Italy's internal affairs, saying that "we are delivering a warning that this Union is a partnership which depends on shared fundamental values."

Italian opposition parties exploited the vote to remind Mr Berlusconi he faced problems in allying so openly with the MSI which had yet to dissociate itself from its foscist roots.

The Strasbourg vote comes at an awkward moment for the media magnate turned politician. Mr Berlusconi's efforts to form a govarnment are foundering on the insistence of the populist Northern League of Mr Umberto Bossi on the key portfolio of the interior ministry.

Mr Bossi has threatened to stay out of the government unless this post is given to the League. If the deadlock is not broken within the next 24 hours, Mr Berlusconi could well have to rely for his main support outside his Forza Italia movement on the MSI. The League would merely offer unstable external backing in parliament.

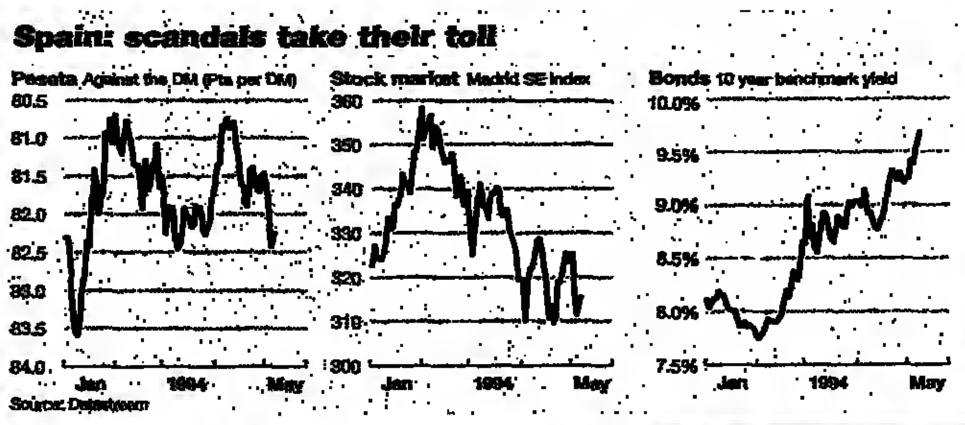
In Strasbourg the Socialists also decided to expel from their bloc any MEP seen as siding with Mr Berlusconi's Forza Italia group. They have three to four MEPs in their sights, including Ms Maria Magnani Noya, a vice-president of the Parliamont for the nearly defunct Italian Socialist Party.

Last week, the so-called Rainbow Group of regional parties in the parliament asked its two members from the Lombard League – the third element in Mr Berlusconi's coalition – to leave their bloc, because of their alliance in Italy with the neo-fascists.

Spain's prime minister is given the benefit of the doubt as corruption scandals claim more victims

Markets recover after going to brink

By Tom Burns in Madrid



Source: Datastream


Mariano Rubio former governor, Bank of Spain

Jittery stock, bond and currency markets were belatedly giving Spain's embattled prime minister, Mr Felipe González, tha benefit of the doubt yesterday as he struggled to regain the initiative in the face of a series of corruption scandals that have rocked his government.

The stock market began the day by plunging to a one-year low and the peseta depreciated sharply until investors' nerves steadied as Mr González, in a pre-lunch press conference, pledged to regain the initiative.

A succession of scandals, which have prompted the resignation of two cabinet ministers and turned the former head of the paramilitary civil guard into a fugitive from justice, claimed their most senior political victim yesterday when Mr Carlos Solchaga, former finance minister, resigned as parliamentary leader of Mr González's ruling Socialist party.

Hours earlier Mr Mariano Rubio, twice appointed by Mr Solchaga as governor of the Bank of Spain, was arrested and held in custody on fraud charges along with his friend and former broker Mr Manuel de la Concha, a former head of the Madrid stock exchange.

Mr González's announcement that he would neither resign nor call a snap election checked an early morning run on the peseta that brought it down to Pta83 against tha D-Mark from Wednesday's Pta82.1 fix and the currency ended the day at Pta82.3.

The prime minister's move also reined in a widening spread in benchmark 10-year bond yields. The spread for the domestic bonds pushed up to 320 basis points against Germany's long-term bonds before falling to close to 300 basis points amid considerable volatility.

The Madrid stock market general index, which had dropped to a year-low of 307 in early trading after a fall of nearly six points on Wednesday, rallied in the afternoon to close at 316.25, 1.5 per cent up on Wednesday's close.

Analysts stressed that the beleagured Mr González may have only gained a passing relief for the Spanish markets. "It could be only a temporary respite," said Mr Antonio Pulido of Madrid broker's FG. "We hava not seen volatility like this since the general elections last June."

The consensus view is that the political uncertainty which fuelled the volatility will not be wholly resolved until after the European elections on June 12 when the government's popularity will be tested.

"On June 13 we will know whether González is really strong enough to ensure stability," said Ms Monica Morales, a senior broker at Société Générale in Madrid.

The markets still appear to perceive Mr González as living on borrowed time and as a hostage of the Catalan nationalists in parliament who have so far supported his government. They forecast that a humiliating defeat for his Socialist party next month would prompt the Catalans to withhold their support and trigger an October election.

The markets also fear, in particular, that a further bout of corruption disclosures by the press could rock Mr González's credibility once more. "There are still a few loose cannon on the Spanish deck," said Mr Robert Maxwell of Madrid brokers Maxwell and Espinosa.


Solchaga: Socialist parliamentary leader and former finance minister is scandal's most senior victim Tony Kirk

GONZALEZ'S WEEK OF DISASTERS

FRIDAY - Ex Civil Guard chief Luis Roldán fails to appear before magistrate and vanishes.

TUESDAY - Roldan threatens in interview to bring uthers down with him.

WEDNESDAY - Farm minister Vicente Albero resigns, admitting he failed to pay soma tax on investment portfolio.
- Former Bank of Spain governor Mariano Rubio and former stock exchange chief Manual de la Cuncha arrested on charges of tax fraud and falsifying documents.
- International arrest warrant issued for Roldan to face charges including bribery, fraud and misappropriation of public funds.

THURSDAY - Rubiu and De la Concha remanded at Madrid's Carabanchel jail.
- Former economy minister Carlos Solchaga resigns as Socialist parliamentary laadar and MP uver Rubio affair.
- Former interiur minister José Luis Corcuera resigns as MP over Roldan affair.
- Justice minister Juan Alberto Belloch takes over Interior ministry.
- Energy undersecretary Luis Atienza promoted to agriculture minister.
- Prima Minister Felipe González says he will stay on to fight corruption and pursue acunumic recovery prugramma, and rejects snap election.

Mitterrand rules out nuclear tests

By David Buchan in Paris

President Mitterrand forecast yesterday that France would never again set off test explosions of nuclear weapons, unless another major atomic power broke the test moratorium which tha French leader set in train two years ago.

Mr Mitterrand reaffirmed tbat he wonld not allow nnclear tests during his remaining year in the Elysée, and predicted that his successors would not dare resume testing for fear of "offending the whole world by relaunching the nuclear arms race".

Delivering a 90-minnte discourse on his nuclear policy to France's military establishment, Mr Mitterrand's statement was as much a challenge as prediction to Mr François Léotard, the defence minister who sat poker-faced in front of him. Like most in the conservative government, Mr Léotard is committed to at least re-examining the nuclear test issue once the socialist president leaves office next May.

Indeed tha president challenged the French military establishment to have the "talent and imagination" to keep France's atomic arsenal up to date by simulating tests in laboratories rather than by setting off more explosions in or under its Mururoa atoll in the south Pacific. The FFr10bn set aside for nuclear test simulation in the defence spending programme for 1995-2000 gave it sufficient resources, Mr Mitterrand claimed.

Most French conservative defence experts believe that France still needs a few more live tests, if only to calibrate laser, radiographic, and computer techniques used in laboratory simulation.

But the president claimed France need not fear "any nasty surprise" by renouncing testing, and so setting an example to other near-nuclear countries in the renegotation of tha Non-Proliferation Treaty next year. The US was the only nuclear power which could make gains relative to France, because Washington had been working on simulating tests since the early 1960s, and Franco-American relations were sufficiently good that France had nothing to fear from that quarter.

However, Mr Mitterrand yesterday showed himself a traditional gaullist in every other aspect of nuclear power. A French president could not share the decision to use nnclear weapons "with any foreign anthority", he said, and that was why France had been right to leave Nato's integrated command in 1966 and to stay ont. Eventually, Europe might be sufficiently united politically for France to consider its vital national interests synonymous with those of its European Union partners. But the pro-European president implied that day was still distant.

Swedes 'vital to larger EU'

By Lionel Barber in Helsinki

Enlargement of the European Union could be jeopardised if Swedes vote No in their referendum, Mr Esko Aho, Finnish prime minister, warned yesterday.

His warning introduced fresh uncertainty into plans to admit Austria, Finland, Sweden and Norway into the Union by January 1 1995. The Finnish premier suggested that some of the existing 12 member states might refuse to ratify the accession treaties for Austria, Finland and Norway if Sweden, which will be a net contributor to the EU budget, declined to join. The treaties must be ratified by all 12 EU member states.

Polls show solid support for EU membership in Austria and Finland, though many remain undecided. In Sweden a well funded campaign coupled with an unpopular government has left the outcome of the referendum in doubt. Norwegians are seen as the most resistant to membership.

The Finnish government is in the middle of difficult internal negotiations on the size of compensation to be paid to Finnisb farmers who must drastically reduce their producer prices to EU levels once Finland joins the Union. The cost to the national budget is likely to be 10 billion markkaa ($1.8bn), Mr Aho said.

Mr Aho's centre party is split over membership, because of its ties to the farming lobby. But behind his remarks lies a broad concern about Finland joining a future Union without Sweden, its large and wealthy neighbour. This has led to divisions within the government about tha timing of the Finnish referendum.

Mr Aho said he favoured holding a referendum on the same day as Sweden, that is some time after the Swedish general election in September.

But president Martti Ahtisaari said he supported an early Finnish referendum before the Swedes vote. "There is no question thet our vote will have an effect on others. If we vote Yes, we can do a favour for ourselves and a service for Europe as well."

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EUROPEAN NEWS DIGEST

Swedish interest rate reduction

Sweden's central bank, the Riksbank, yesterday cut interest rates to their lowest level for 20 years to consolidate the country's recovery from its deepest recession since the 1930s.

The bank's marginal rate, which steers short-term interest rates, will fall to 7.0 per cent from 7.25 per cent from May 9. The bank said falling European interest rates and the krona's stable performance during recent financial market turbulence had provided scope for the cut. The krona has fallen by 20 per cent since late 1992 but this year it has strengthened amid clear signs of an export-led recovery.

Mr Thomas Franzen, Riksbank deputy governor, said that with Swedish inflation subdued, "there is scope for lasting lower interest rates in Sweden". He also noted that there was a general acceptance that Sweden would have to pursue tighter fiscal policies to promote growth and employment.

The Riksbank has attracted criticism for not cutting rates more aggressively over the last 18 months, despite the country's deep economic problems. Real interest rates remain high, with inflation running at less than 2 per cent. The government expects Sweden's GDP to grow 2.4 per cent this year, the first increase since 1990. *Christopher Brown-Humes, Stockholm.*

Italian insurance sell-off pledge

Privatisation of Istituto Nazionale delle Assicurazioni (Ina), Italy's state-owned insurance company, is still on schedule in spite of the fact that Rome prosecutors are investigating the group's chairman, Ina advisers said yesterday.

Magistrates revealed on Wednesday night that they had warned Mr Lorenzo Pallesi that they were conducting inquiries into alleged falsifying of accounts and fraud, following up their earlier inquiries into the operations of the Rome branch of the company's Assitalia subsidiary between 1990 and 1992. Ina has played down the significance of the inquiry. The company pointed out that Mr Pallesi had only been targeted by the magistrates because he was formally responsible for the group at the time, though not directly involved in management of the Rome branch.

Four other Ina-Assitalia executives were warned about the inquiry in March. Even before Wednesday's events, delays in the formation of a new Italian government had begun to cast doubt on the timetable for the Ina privatisation. The sell-off is scheduled for the end of June, but most of the important political decisions about privatising Ina have still have to be taken. *Andrew Hill, Milan.*

Alcatel subsidiary in new probe

Mr Pierre Guichet, chairman of Alcatel CIT, the French telecoms equipment manufacturer, has been placed under judicial investigation in a case concerning alleged overcharging of France Telecom, one of the group's principal customers, the company said yesterday. Alcatel CIT, a subsidiary of Alcatel-Alsthom, one of France's largest industrial groups, said in a statement it had not overcharged or forged billing for France Telecom and expressed surprise at the investigation.

The origins of the affair date back to last year, when two employees of Alcatel CIT were accused by the company of manipulating prices for equipment ordered by France Telecom. Alcatel CIT agreed in November to pay France Telecom a sum of about FFr60m ($10.3m) to compensate for the losses arising from the manipulation of prices and the damage to relations between the two companies. Alcatel CIT said it had written a letter to the investigating magistrate criticising the procedure being followed in the case. Mr Guichet was placed under judicial investigation for the overcharging case immediately after having being questioned about allegations that he had work done at his home by companies working for Alcatel CIT. Alcatel CIT said that Mr Guichet had himself paid for the work at his home and that no charges had been brought concerning this subject. *John Ridding, Paris.*

Bourse watchdog fines Tapie

Mr Bernard Tapie, the controversial French politician and businessman, has been fined FFr1m (£110,000) by the Paris stock market authorities for disclosing inaccurate information about Testut, a company he chaired from 1987 to 1992. Mr Tapie was criticised for releasing information in 1990 which "did not seem to be either accurate, precise or sincere". The fine is the latest in a long line of brushes between Mr Tapie and the French financial establishment. It comes at a time when Mr Tapie, who was briefly minister of urban affairs in the last socialist cabinet, is leading the European election campaign for MRG, a group of left-wing parties dubbed *Les Tapistes* by the French press. So far Mr Tapie's political fortunes seem to have been helped rather than hindered by his scuffles with the authorities. MRG has recently risen rapidly in the opinion polls to reach around 10 per cent. *Alice Rawsthorn, Paris.*

Bosnian Serbs reject land deal

Bosnian Serb leaders again quashed hopes for a settlement by yesterday rejecting a previously agreed arrangement which traded land for peace.

Referring to EU plan for Serbs to keep 49 per cent of Bosnia and Moslems and Croats to control 51 per cent, Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, said: "Moslems and Croats do not have the moral right to such a percentage of territory since they never have controlled such an area." Earlier, Mr Douglas Hogg, British foreign office minister, in Belgrade to meet President Slobodan Milosevic of Serbia, atressed the importance of the "land for peace" deal. Mr Hogg said: "The allocation of 49 and 51 per cent is very firm. We do not want to see firm points shifted." In Sarajevo, another earlier arrangement was buckled. Mr Yasushi Akashi, UN envoy, agreed to allow seven Serh tanks to pass through the 20km exclusion zone around the city despite Bosnian government protests. *Laura Silber, Belgrade.*

ECONOMIC WATCH

France trims key interest rate

The Bank of France yesterday took a further step in its policy of edging interest rates lower, trimming the intervention rate, the floor for money market rates, by 10 basis points to 5.6 per cent. The move was the third in three weeks and is consistent with the central bank's policy of gradually lowering borrowing costs to support emerging economic recovery. Inflation, currently at an annualised rate of about 1.5 per cent, poses little constraint. The Bank of France has been tracking the downward trend in German interest rates and is targeting the Bundesbank's repo rate. Yesterday's cut brought the margin above the repo rate to just under 0.2 percentage points. The Paris stock market welcomed the move. The CAC-40 index of leading shares doubled its morning gains following the news, closing up 0.98 per cent at 2,162. The French franc took the rate cut in its stride, trading at about FFr3.428 to the D-Mark. *John Ridding, Paris.*

■ The Polish finance minister, Mr Grzgorz Kolodko, said yesterday the country was on course for minimum growth in the economy of 4 per cent this year, and forecast that 4.5 per cent to 4.7 per cent could be achieved.

■ Car deliveries in Italy fell by 2.8 per cent in April year-on-year against a 1.5 per cent rise in March, the carmakers' association, Anfia, said. Anfia said 169,945 cars were sold in Italy last month, against 174,758 in the same period last year.

■ Spain's official currency reserves fell $126.1m to $44.73bn in April from March, according to provisional figures released by the Bank of Spain.

Massive electoral fraud alleged in Russia

By John Lloyd in Moscow

The December 12 referendum which approved the Russian constitution was invalid because the required 50 per cent of voters did not take part, eccording to e report by a team of experts working for the presidential administration. The report, whose main author yesterday insisted on its accuracy, alleges massive corruption at every level of vote counting.

The potential importance of the findings – if shown to be correct and if acted upon – is great. The report's author, Mr Alexander Sohyanin, claims that only 49m voters out of 106.2m took part in the referendum on the constitution – a percentage of only 46.1, well short of the 50 per cent minimum and even further down on the 54.8 per cent claimed by the Central Election Commission very soon after the voting ended.

The findings could tear the heart ont of the efforts by President Boris Yeltsin to place the constitution as the foundation stone of Russian democracy. He has persuaded most of the Russian party leaders to sign a "treaty on civil accord" which pledges that no efforts will be made to amend the constitution for two years. The treaty was signed yesterday by 141 representatives of Russian enterprise unions and associations. The report, excerpts of which have been printed in the daily newspaper, Izvestiya, also said that extensive stuffing of ballot boxes and rewriting of results at the regional voting headquarters resulted in hnge distortions.

It alleged that the Liberal Democratic party (LDP), the ultra-nationalist group led by Mr Vladimir Zhirinovsky, whose victory in that part of the parliament chosen from party lists was the main shock of the elections, received 6m unwarranted votes – with the Rnssian Communist party gaining 1.8m, the pro-communist Agrarians receiving 1.7m and the Women of Russia – also pro-Commnnist – 1m.

The main loser among the parties, said the report, was Choice of Russia, which suffered a shortfall of 2m votes.

However, the present signs are that the report will not be allowed to receive much attention. Both Mr Sergei Filatov, the president's chief-of-staff and Mr Nikolai Ryabov, the head of the electoral commission, rejected the report'a findings. Mr Filatov is reported by Russian journalists to have deprived Mr Sobyanin's group of its working dacha on the ontskirts of Moscow, and to have had it sealed.

Mr Ryabov told Izvestiya: "I cannot say that nothing of this sort took place ... (but) to talk of massive falsifications and breaches of the rnles in this way bas no grounds in reality."

However, Mr Sobyanin, in an interview from his Kremlin office, stood by the report: "I am certain the facts are right because many of the breaches were so obvious. It was quite obvious that in some regions the results were way out of line." Mr Sobyanin said that he had not discussed the report with Mr Filatov, hnt had with other officials and "there is some concern". Following publication of parts of his report, Mr Sobyanin said his contract with the government had not been renewed.

A separate report on expenditure of the parties during the election alleges that Choice of Russia spent almost 30 times more on the campaign per deputy elected than the LDP – Rbs47.9m per deputy against Rbs1.7m. The former won 40 seats, the latter 59.

Austrian trade union bank faces inquiry

By Patrick Blum in Vienna

The Austrian state prosecutor has launched an investigation into the country's large trade union bank Bawag – the country'a fourth largest bank – and its chairman, Mr Walter Floettl, following anonymous allegations made by two of the bank's senior officials.

The officials have alleged that Mr Floettl concealed from the bank's supervisory board high-risk trading activities undertaken by his son with money from the bank and that he evaded taxes. The prosecutor's inquiries follow another investigation launched just over a week ago by the finance ministry after it was alleged that Mr Floettl had authorised loans worth almost Sch21bn (£1.16bn) to Carihbean-based offshore companies run by his son Wolfgang. The latter Floettl is said by the finance ministry to have used the money for high-risk speculative financial operations on the international debt market. The loans were not clearly disclosed in the bank's annual report, say the authorities. Last Friday, Mr Anton Stanzel, who is responsible for bank supervision at the finance ministry, said that nothing had been found during the ministry's own investigation to suggest criminal activity by the Floettls and Bawag (Bank für Arbeit und Wirtschaft).

Nevertheless, the ministry decided that further investigations were needed to assess the risk and propriety of the transactions.

"There is no evidence of criminal activity, but investigations continue to check that (all transactions) were done eccording to the banking act," Mr Stanzel said this week. "There were very high risks involved," he said. The ministry's investigations are expected to be completed by the end of the month.

The financial authorities are particularly concerned that the bank's standing should not be damaged by the affair. The 70-year-old Mr Floettl has strongly rejected any suggestions of impropriety on his or his son's part, though he edmitted the transactions thet had taken place for nearly six years were unconventional.

The bank, however, had not lost any money as a result, and he promised all such positions would be closed by the end of this month, and the business ended.

Mr Stanzel, said on Wednesday that about half of the money had been returned, and he hoped the remaining positions could be closed without loss.

"We'll sleep better if this (the rest of the money) comes back," Mr Stanzel said. Ironically, until now the bank, with its traditional strong ties to the unions and the social democrats, was regarded as ooe of the most successful and conservatively run benks in Austria.

The social democrats, who pride themselves on their ability to be better managers than their conservative rivals, now face damaging publicity which comes only a few months before general elections due in October.

The horse-trading begins

SOUTH AFRICAN ELECTIONS

Black South Africans, especially in the troubled province of Natal/KwaZulu, can be forgiven for wondering what elections are all about. Last week they queued for hours to cast their votes in the country's first democratic elections. This week, their political leaders have been trading votes like football cards, openly fixing the result of the poll to try to keep the peace.

Patti Waldmeir on vote swapping in northern Natal

In Empangeni, centre of the much-disputed voting area of northern Natal, Mr Senzo Mchunu, African National Congress regional secretary, makes no effort to hide what is going on. "To us, the priority is peace," says the man who heads the ANC in this stronghold of the rival Inkatha Freedom party.

"Obviously, the elections were not free and fair. There has been rigging, extensive rigging," he says. [The IFP won 73 per cent of the provincial vote in this area, against 16 per cent for the ANC.] "But we think it's a very narrow line of thinking to say, just reject the results. That would not resolve anything. Based on the reality in Natal, the ANC should have emerged as the winning party, and whatever deal is made should reflect that. But you must remember these people [IFP] have been told they are winning so any deal you make must make it less shocking to them."

Mr Mchunu hints he would approve a deal which shared voting totals equally between the two parties, whatever the official electoral tally shows. Each would gain some 40 to 45 per cent of the vote with the outgoing National party holding the provincial balance of power.

Under South Africa's constitution, they would be forced to share power in the provincial executive in any case, with seats allocated proportionately. "But there can only be one premier," and it cannot be the IFP's candidate, Dr Frank Mdlalose, he maintains.

Mr Mchunu believes the ANC has found a way to bridge these two positions and is preparing to announce what it is. The Independent Electoral Commission, charged with conducting the poll and certifying its outcome, appears to be *holding back the results of the* Empangeni count to give the politicians time to do their work.

Mr Mchunu has his own complaints about the IEC: "Chaotic right from head office to the last man; unable to find information which they want; unable to ensure that elections are free and fair."

Mr Mchunu acknowledges there is no way of knowing how many irregularities can be explained by human error, saying that mistakes are inevitable in an area where even the presiding officers have never before voted.

Only in the case of the small number of boxes filled with pre-stacked papers could one confidently assert fraud. Given some 119,000 people voted out of a voting population of 150,000 in the Empangeni area, there is no evidence of massive voter inflation. That does not mean fraud did not take place on a large scale – it simply means with no voter rolls and no record of votes cast, it will be impossible to draw the line between fraud and error. That is the real problem: South Africa's electoral process has failed to confer legitimacy on the result. Only politicians can do that now.

President Bill Clinton officially announced a $600m aid plan for South Africa yesterday, and said Vice President Al Gore and Hillary Rodham Clinton would attend the inauguration *on Tuesday of Mr Nelson Mandela as its first black president*, Reuter reports from Washington.

"Today I am announcing a substantial increase in our efforts to promote trade, aid and investment in South Africa. *Over the next three years, we will provide and leverage* about $600m," Mr Clinton said. At a White House ceremony attended by many prominent anti-apartheid activists, including black civil rights leader Jesse Jackson, Mr Clinton said he had spoken by telephone with Mr Mandela and outgoing President F. W. de Klerk just before the ceremony to to congratulate them on South Africa's first all-race elections.

A man preparing materials yesterday to build a shack in a squatter camp near the South African port of Durban. Housing is one of the new government's most acute problems Reuter

Palestinians wait for taste of freedom

By Julian Ozanne in the Gaza Strip

The self-rule agreement has been signed and sealed, but for the 800,000 Palestinians in Gaza it will be several weeks before they get the first real taste of freedom after more than 25 years of Israeli occupation.

As the second day of *self-rule* passed, Palestinians and Israelis woke up to the fact that the Palestine Liberation Organisation is hopelessly ill-prepared to take over the complex administrative and security functions of running the townships of the Strip. Self-rule is more likely to trickle than flood into Gaza.

According to Mr Yitzhak Rabin, Israeli prime minister, PLO chairman Yassir Arafat has asked that Israel "drag out" its *withdrawal from* Gaza and the West Bank enclave of Jericho for at least three or four weeks while he prepares details of the take-over. *The* PLO denied Mr Rabin's statement and said it was ready to take over at once.

But it is clear the PLO is far away from being ready. Yesterday's expected deployment of 1,000 Palestinian police in Gaza-Jericho has been postponed by the PLO until next week.

The lack of planning on a more serious policy level was confirmed yesterday by Mr Hassan Abu Libdeh, PLO official in charge of the "Technical Committees" supposed to have in place a full scheme for Pal*estinian control over* all services.

"We are not ready to receive authority," he said yesterday. "For example, environmental questions are really new to us. It may take 3-6 months before we are really ready." Another official said the PLO was only really ready to assume control over health.

Mr Arafat has yet to name the 24-member national authority which will govern Gaza-Jericho as a de facto cabinet, let alone the key officials who will move in and take over the 34 departments and 24,000 employees of the Israeli military-run civil administration.

Many Palestinians said the problem lay with Mr Arafat's authoritarian style of leadership, his inability to delegate and the tension between the leadership in exile and Palestinian leaders who have emerged during the seven-year uprising against Israeli rule. Institutions created at PLO headquarters in Tunis and in the territories did not co-ordinate their activities.

Delay in implementing the agreement will further erode Mr Arafat's fragile support base. In Gaza, many Palestinians seemed disappointed and frustrated at the few signs of immediate change in their lives.

"Are they here to take over or just to talk to the Israelis?" *shouted one man.*

"We expected much bigger things to happen," said another. Nobody knows if things are really going to change or if the Israelis are really going to leave."

Israel continued yesterday to wind down its occupation in Gaza, completely emptying the city's central prison and dismantling radio antennae. Some prisoners were freed after they signed a document saying they supported the peace process, while others were transferred to another prison in the Negev desert.

But despite the snail's pace of implementing self-rule, many people in Gaza still had hopes for the future. Low-key celebrations have been going on since Wednesday's signing of the self-rule agreement, for the deportees and Palestinian prisoners allowed home.

New graffiti painted overnight said: "Our return to Palestine was a dream and *now it* is the truth."

NEWS IN BRIEF

Clinton protests at Singapore caning

Singapore yesterday carried out a caning sentence on Michael Fay, 18, a US citizen convicted by a local court of vandalism offences, including spray-painting cars. President Bill Clinton said bluntly that Singapore had committed "a mistake", write Kieran Cooke in Kuala Lumpur and Jurek Martin in Washington.

The error was "not only because of the nature of the punishment related to the crime but because of the questions raised about whether the young man was in fact guilty and involuntarily confessed".

Mr Clinton promised a more definitive reaction later. Meanwhile, the Singapore ambassador was summoned to the state department to receive US protests.

Fay received four strokes of the rotan, a 4-ft cane. He had originally been sentenced to four months' jail, and fined S$3,500 (£1,489), with six strokes of the cane.

The Fay case has caused considerable controversy in the US. Singapore has accused the US media of orchestrating a campaign against it and has insisted no one has the right to interfere in the workings of its judicial system. Official figures show Singapore (population under 3m) canes about 1,000 people each year.

India share sale raises Rs23bn

***India has raised Rs23bn (£483m) from its latest round of sales of* shares in state-owned enterprises, securing much-needed funds for the government and extending its economic liberalisation programme, Stefan Wagstyl reports from New Delhi.**

Foreign institutional investors, permitted to bid for the first time, snapped up part of the offering, the fifth since launch of economic reforms in mid-1991. Stock in seven companies was on offer, including Mahangar Telephone Nigam, the domestic telecommunications carrier serving Delhi and Bombay, which accounted for nearly 60 per cent of the total sale.

The total raised falls short of the original target of Rs35bn for disinvestment in *1993-94. Since 1991, the government has raised* Rs73bn and hopes for another Rs40bn in this financial year.

The government, which has sold shares in 31 out of 230 centrally owned enterprises, intends to retain control of most by maintaining a minimum holding of 51 per cent. Foreign institutions which successfully bid for stakes include funds managed by Morgan Stanley of the US, the investment management arms of Britain's BZW and of Hong Kong-based Jardine Fleming.

Refugees swamp Rwanda camps

Nearly *half a million people have fled Rwanda to escape tribal* massacres in the central African country, Médécins sans Frontières, the medical charity, said yesterday, Leslie Crawford writes from Nairobi. The upheaval has created the largest makeshift refugee camp in the world at Benako, in northern Tanzania. MSF says between 150,000 and 200,000 destitute and exhausted refugees have gathered at Benako. A nearby river marking the border between Rwanda and Tanzania has become

Rwandan refugees rush to collect water at a lake near a Red Cross centre close to the Tanzanian border Reuter

polluted with corpses. Aid workers fear the outbreak of disease. Rebels of Rwanda's Tutsi minority have been fighting the dominant Hutu ethnic group for control of the country. But Tanzania said Rwanda's interim government yesterday signed a pact to *stop the fighting and massacres.* It said rebel forces had also agreed to implement it from tomorrow.

Nigeria fuel distribution recovers

Nigeria's domestic fuel distribution is slowly recovering from the near-paralysis of last week, as the government's ultimatum for its state-owned Nigerian National Petroleum Corporation (NNPC) to ease *the shortages has expired without further* comment from the military regime, Paul Adams writes from Lagos.

NNPC's two oil refineries in Port Harcourt are back in operation and large imported fuel shipments have arrived, but NNPC *and the private-sector fuel marketers warn the relief is* temporary and fundamental problems remain within the industry.

The low price of N3.25 (6 US cents) a litre of petrol imposed by the government is half the cost of importing the fuel or producing it in Nigeria, depriving the domestic oil industry of working capital and giving black market operators, who smuggle it abroad or hoard it in Nigeria for sale during shortages, 500 per cent margins.

Hata tries to defuse row over Nanking gaffe

By William Dawkins in Tokyo

China and South Korea yesterday reacted angrily to claims by Mr Shigeto Nagano, the new justice minister, that one of Japan's worst wartime atrocities was a "hoax."

In an effort to defuse the row, Japan's prime minister Tsutomu Hata, condemned Mr Nagano's claim that the 1937 massacre of Nanking was a fiction as "not appropriate."

Mr Nagano is expected to issue a public apology today, according to reports in the Japanese press.

Mr Hata said Japan's wartime actions "including aggression and colonial rule, caused unbearable suffering and sorrow for many people; thus it is essential...to face the history squarely and share the determination not to repeat them."

China, Japan's second largest trade partner after the US, was "shocked and indignant," said a Chinese foreign ministry spokesman. He urged the Tokyo government earnestly and seriously to treat the issue with a view to safeguarding bilateral relations," an implied demand for Mr Nagano's dismissal.

Japan last year stepped up a gradual campaign to improve relations with Asian neighbours when former prime minister Morihiro Hosokawa issued a series of apologies, admitting that the war was aggressive and wrong.

Officially, the new government wishes to continue that process, though a right-wing minority supports Mr Nagano's stance," as reported in the Mainichi newspaper.

Mr Nagano's gaffe has far more impact today than it might have had a few years ago and damages Japan's current attempts at a reconciliation with former colonies at a time when Tokyo is seeking to increase trade and investment with them.

It also provides ammunition for the minority government's numerous opponents, only a week after the Hata administration took office.

According to a post-war tribunal, Japanese troops killed 155,000 people in the six weeks after taking Nanking, though Chinese accounts put the figure at 300,000.

Mr Hata, on a European tour until the weekend, said he would ask Mr Nagano what he meant by his remarks.

Multi-tier rate puts Iran in reverse

By Scheherazade Daneshkhu

The decision by Iran's government late on Wednesday to re-introduce a *multi-tier* exchange rate is a backward step for President Ali Akbar Hashemi Rafsanjani.

Mr Mohammad Adeli, governor of Bank Markazi (the central bank) has said state banks will sell dollars at 50 rials below the open market rate for certain imports from tomorrow. He has not specified to which imports the new rate would apply.

The official floating exchange rate set by Bank Markazi is about 1,750 rials to the dollar but the rial has weakened on the open market since the beginning of the year to 2,800 yesterday because of low oil prices and high demand for foreign exchange.

Reintroduction of a new rate undermines the difficult decision the government made last year when it unified three different rates in favour of a single floating rate in line with International Monetary Fund *recommendations. At a stroke,* the rial was effectively devalued from 70 rials to the dollar to 1,540. At the time, Mr Adeli hoped that the currency would strengthen to IR1,000=$1.

The rial has steadily declined and Bank Markazi has been following behind, repegging its floating rate to reflect the open market value. *The devaluation has fuelled* price rises and inflation is thought to run much higher than the official 22 per cent.

The price of utilities and transport all rose steeply earlier this year but the Majlis (parliament) has vetoed moves by President Rafsanjani to reduce the expensive burden on the state of fuel subsidies because of fears of a public outcry.

Last month, transport workers in the southern city of Shiraz went on strike demanding pay increases. Falls in the price of oil towards the end of last year have meant Iran earned only *$13.5bn (£9bn)* in the Iranian year recently ended (March 21) instead of a budgeted $17bn.

This has increased its debt burden, although $5.5bn of its estimated $14bn short-term debt has been refinanced since February with its main trading partners, including Germany and Japan.

Sri Lanka shares fall on fears for government

By Stefan Wagstyl in New Delhi and Mervyn de Silva in Colombo

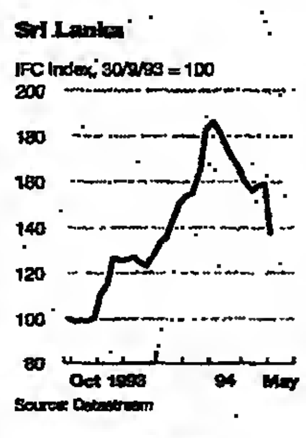
Sri Lankan shares have fallen sharply this week amid concerns about the stability of president D.B Wijetunga's government.

The sell-off was prompted by Mr Wijetunga's decision late *last* week to cancel a visit to China to deal with the turmoil in the ruling United National Party, and by a big May Day rally organised by a united front of opposition parties and attended by over 100,000 people.

Evidence of the dwindling popularity of the UNP and strong support for the left-inclined opposition parties, headed by the Sri Lanka Freedom Party, unnerved investors. Even though share prices ral*lied on Wednesday and yester*day, after a 4.5 per cent fall in the all-share index on Tuesday, the mood remains nervous.

Businessmen and brokers fear that political turmoil could continue for months, with presidential elections due later this year and a general election in early 1995.

Mr Alavi Mahroof, a Colombo stock exchange broker, said: "Local investors are worried about current political trends".



Share prices rose sharply last year, fuelled by strong economic growth and a surge of foreign investment caused by the worldwide fashion for investing in emerging markets. *The market gained* more *than* 70 per cent in dollar terms in 1993, according to data by the IFC, a member of the World Bank, but so far this year it is down 3 per cent.

Equities have since fallen back, heavily influenced by the increase in US interest rates and domestic political upheavals. Mr Stanley Jayawardena, chairman of the Securities and Exchange Commission, the market watchdog, said: "A correction was bound to come. *But this is also a reaction to* political events".

The political storm began in March when the UNP suffered its first electoral defeat in 17 years in provincial polls in the island's southern province. Mr Wijetunga, who succeeded the assassinated president Ranasinghe Premadasa last May, reacted with a string of popu*list financial hand-outs, includ*ing tax cuts and food-stamps for schoolchildren.

But he could not take the wind out of the sails of the opposition parties, which sense a potential victory in the presidential and national polls.

Meanwhile, a temporary change of leadership has breathed new life into the Sri Lanka Freedom Party. Mrs Sirima Bandaranaike, the former president who heads the party, has been forced to go to hos*pital, leaving the field open for* her firebrand daughter, Mrs Chandrika Kumaratunga, the main speaker at the May Day rally.

Colombo has also suffered an unwelcome reminder of the continuing war with the Tamil Tiger separatist guerrillas in the north.

Terrorists planted bombs in luxury hotels in the capital last month, causing little damage but potentially harming the tourist industry.

Jordan piqued at being left out of Gaza deal

By James Whittington in Amman

Jordanians had to sit through five news items on Wednesday evening before state-run television presented a report on the historic signing ceremony in Cairo which makes way for Palestinians in the West Bank and Gaza Strip to have their first taste of self-rule.

The *occasion* was brushed aside by an official spokesman as an "independent Palestinian affair" and criticised by others in government for the lack of co-ordination with Amman. The Lower House of Parliament cut short a debate on a draft sales tax law to issue a statement which condemned "the sale of Palestine".

Again, Jordan is in a *fit of* pique for being overlooked by the Palestine Liberation Organisation in its plans to govern the occupied territories. Despite numerous pledges between Jordan and the PLO to co-ordinate over implementing the self-rule agreement, Jordan's fears of marginalisation are growing stronger.

There is a general feeling of conspiracy in Amman that the long and bitter rivalry between PLO chairman Yassir Arafat and King Hussein is causing Mr Arafat to sideline Jordan.

The kingdom's frustration at being left out is based mainly on historical precedent and demography. Jordan ruled the West Bank from 1948 to 1967, when that region was occupied by the Israelis following the six-day war; only in 1988 did King Hussein decide to sever legal and administrative links with what was half of his kingdom west of the Jordan River.

Out of Jordan's population of about 4m, over 60 per cent are of Palestinian origin and many have strong family ties in the West Bank. As a result, Jordan feels it has a natural role to play in any resolution of the Palestinian problem.

So far, this looks increasingly unlikely. *Not only* have the promises of co-ordination with the PLO failed to bear fruit, but agreements signed by the *PLO* and Jordan have been overtaken by PLO talks with Israel. Last week's PLO/Israeli economic agreement, for instance, negated in many ways the economic accord signed with Jordan in January.

A free trade policy between Jordan and the self-rule areas was replaced by quotas and taxes now to be levied on Jordanian goods. *Newly-opened* banks which were to be run by the Central Bank of Jordan are now to be under a Palestinian monetary authority. The Jordanian dinar seems to have been replaced by the Israeli shekel as the main legal tender.

Kenya eager to trumpet its economic reforms

Nairobi wants to start a much-needed dialogue with private enterprise, writes Leslie Crawford

After a year of dismantling state controls and untangling red tape, the government of Kenya is hosting an investment conference in Nairobi today to trumpet its economic reforms.

Mr Musalia Mudavadi, finance minister, does not anticipate a stampede of foreign investors, but the confer*ence might accomplish some*thing more useful: the start of a much-needed dialogue between businessmen and government *mandarins.*

"We want to project Kenya's new image, but we also want to listen to the needs of investors and their suggestions for further reforms," Mr Mudavadi says.

The liberalisation measures of the past year have radically changed the operating environment for private enterprise.

> Business confidence is returning. Multinationals have significant investment plans

Import licences have been scrapped. Almost all government controls on foreign exchange transactions are gone. Exporters can keep their dollars and multinationals can repatriate profits without restrictions. All price controls, except those on petroleum products, have been dismantled.

As a result, business confidence in Kenya is returning. A majority of multinationals *polled by the East Africa Asso*ciation say they have significant investment plans. Exporters and bankers are thriving in the newly deregulated environment, while local manufacturers have also taken advantage of the devaluation of the shil*ling to* export to neighbouring countries. Kenya's exports rose by 15 per cent last year to $1.1bn (£733m).

After two years in the doldrums, the Kenyan economy may show some stirrings of growth in 1994. With Tanzania, Uganda and Kenya adopting converging economic policies, central bankers are now dis*cussing the convertibility* of their currencies to boost regional trade.

Mr Mudavadi is guaranteed *an enthusiastic* reception at the investors' conference, if only because local businessmen know he needs all the support he can get.

Inside government, the 33-year-old finance minister is fighting a formidable coalition of anti-reformers who resent the loss of patronage and opportunities for corruption his market-based reforms will fight.

"My fear is that the anti-reformers have so much to lose that they may go to any lengths to sabotage Mudavadi and his plans," says a foreign executive in Nairobi. Having survived 18 difficult months in office, the young minister faces challenges far greater than economic deregulation.

He must impose financial discipline on free-spending government ministries and a bankrupt parastatal sector which are fuelling inflation and creating a mountain of public debt. Kenya's annual inflation rate has risen above 50 per cent, while debt-servicing consumes 42 per cent of government expenditures. This leaves little room for paying salaries, let alone investing in Kenya's dilapidated infrastructure and social services.

Politically unpalatable choices lie ahead, including the firing of thousands of civil servants *in cities* where one in three adults does not have a job. Mr Mudavadi plans to raise government revenues by improving the collection of import duties in the customs department. He is also trying to impose "performance targets" on state corporations. But across the state sector, managerial skills are in short supply.

Businessmen are advising Mr Mudavadi to tread cautiously: the scales are still too finely balanced between progress and a political backlash against reform. Mr Mudavadi, conscious of the fragility of his achievements, is *not crying* victory yet.

Dispute over ABB bid for energy grant

By Nancy Dunne in Washington and Guy de Jonquières in London

A bid by Asea Brown Boveri, Europe's biggest electrical engineering company, to participate in a US energy department programme to develop the next generation of turbines is running into opposition from General Electric, its largest US competitor.

The dispute has set off a wider controversy in Washington about a concept called "conditional national treatment", under which subsidiaries of foreign companies are treated differently from US companies depending on conditions in their home countries. The issue has been discussed in US government inter-agency groups and may soon get an airing by the Clinton cabinet.

GE and Westinghouse, another US power engineering company, have already won approval to take part in the programme, under which the energy department provides matching grants – in this case around \$4-5m (£2.7-£3.4m) – to participating companies.

Although the initial funding of such projects may be small, companies like ABB believe it is important that they are not excluded from key research because they are foreign companies, said Mrs Nancy McLernon, a spokesman for the Organisation of International investment.

Under the Energy Policy Act of 1992, there are two criteria in awarding grants: an economic benefits test, to determine that the award will benefit the US, and a reciprocity test.

The latter requires that a company's home government allow participation in similar programmes and protects intellectual property rights.

General Electric has circulated a paper implying that the Swedish-Swiss ABB should not be allowed to participate because its home governments do not protect intellectual property rights.

The paper also suggests that if ABB were involved in the programme, it would use the fruits of the research not to create employment in the US but to strengthen its technological capacity in Europe.

ABB already has a substantial presence in the US, where it has expanded through acquisitions of companies including Combustion Engineering, a leading maker of boilers for power generation. In the Americas as a whole, ABB had sales of \$5.6bn last year and employs about 35,000 people, many of them in the US.

It is understood that the US Energy Secretary failed to determine that GE and Westinghouse were eligible for the scheme on the basis of the economic benefits test. That process is now underway retroactively.

US pressed to open up to EU

By Emma Tucker in Brussels

THE US must go further in opening home markets to European goods and investment if it is to live up to its self-claimed title of "still the most open trading nation in the world," the European Commission said yesterday.

In an annual report on US trade barriers to European business, the Commission highlighted "unreasonable" application of anti-dumping and other duty measures against exports from the European Union, and increasing application of domestic trade legislation to companies operating outside the US, as particular obstacles to European industry and investors.

"All these measures are anathema to an open world trading system which should be based on one set of negotiated multilateral rules and procedures fairly applied to all contracting parties in the Gatt," the Commission said.

"The magnitude of the barriers that remain, important though some of them are, should nevertheless be seen in the context of a broadly balanced and improving bilateral EU-US trade relationship," said Mr Ove Jorgensen, a commission official.

The main barriers highlighted in the report include:

- Increased use of unilateral or bilateral trade measures, in particular renewal of Super 301 legislation, providing wide discretion to retaliate against trading practices deemed unfair to US commerce.
- Extraterritorial application of national trade provisions which clash with trading partners' sovereignty and lead to insoluble legal conflicts. The report cites the Cuban Democracy Act as an example.
- Use of national security considerations to justify curbs on trade and investment such as a 20 per cent limit on foreign investment in radio communications.
- Discrimination against non-US controlled companies for certain public contracts tendered at Federal and state level, and "buy America" laws.
- High tariffs on textiles, clothing, footwear, tableware and glassware.
- Tax legislation such as state unitary taxation and car taxes which are the subject of a Gatt panel request by the EU.
- Multiplicity of standards at federal, state and municipal level as well as protectionist labelling requirements.

India warns over labour controls

By Stefan Wagstyl in New Delhi

Mr Pranab Mukherjee, India's commerce minister, has warned the US and other industrialised countries against putting plans for controls on cheap labour on the agenda of international trade talks.

Suggestions that developing countries should be penalised for providing workers with inferior social and other benefits than industrialised countries amounted to "introducing protectionism through the back door", said Mr Mukherjee this week.

Mr Mukherjee was referring to proposals advanced by the US to insert "social clauses" into the brief of the newly-formed World Trade Organisation, which will next year replace the General Agreement on Tariffs and Trade in accordance with the Uruguay Round pact signed on Marrakesh last month. American and European politicians are concerned that the high social welfare payments made in industrialised countries reduce their competitiveness vis-à-vis the Third World. Mr Mukherjee said: "It raises doubts about whether some of the industrialised countries are serious about liberalising trade."

The social clause proposals made it more difficult for the ruling Congress(I) party in India and other developing country governments to enact legislation to bring the Marrakesh agreement into effect.

These problems are particularly acute in India, where there is a long tradition of economic self-sufficiency and of hostility to foreign business interests. Opposition parties – including the right-wing Hindu nationalist Bharatiya Janata party and the parties of the left – have seized the Gatt accord as a stick with which to beat the government. They have taken their case on to the streets, calling rallies in Delhi which were attended by hundreds of thousands of people.

The opposition parties have tried to whip up support by lumping together criticism of the Gatt accord with attacks on the government's economic liberalisation. They have exploited fears of Indian farmers, some of whom have been led to believe the Gatt accord threatens agricultural subsidies. (In fact poor countries are exempted from the subsidy-cutting clauses of the agreement.)

Mr Mukherjee said the protests would not stop the government from getting legislation through parliament. The opposition was trying to build support before state elections later this year. He hoped the opposition parties would eventually accept the wisdom of the Gatt deal, despite their public posturing.

China looks beyond MFN horizon

Beijing sets sights on Gatt accession, write **Tony Walker and Andrew Gowers**

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, will visit Beijing for six days next week to discuss negotiations on Chinese membership of the world trade body, writes Frances Williams in Geneva.

During his visit Mr Sutherland is due to meet President Jiang Zemin, Prime Minister Li Peng and top trade officials. There is widespread backing among Gatt members for China to be readmitted to the organisation, which it left in 1950, but most western governments are insisting on special terms and Washington's position remains equivocal.

China, signalling confidence that the US will renew its Most Favoured Nation trading status, yesterday urged Washington to speed up negotiations on Beijing's bid to rejoin the General Agreement on Tariffs and Trade.

Mr Long Yongtu, Beijing's chief Gatt negotiator, said in an interview that the US should follow the European Union and adopt a "practical and realistic" approach to China's accession to the world trade body.

China and the US are due to resume bilateral talks on the Gatt issue in Washington early next month, just after the deadline for President Bill Clinton's decision on whether to renew China's preferential trade access to the US market.

Beijing and Washington have been at loggerheads for months over the Clinton administration's demand that China improve its behaviour on human rights to secure MFN renewal. But this week, President Clinton softened the US line, saying that withdrawing MFN status would harm both China and the US.

Mr Long's call for a new push on China's Gatt accession shows Beijing is looking beyond the MFN decision to the far-reaching question of China's formal reintegration into the world economy. China is anxious to be a founder member of the new World Trade Organisation, to be formed out of Gatt, when the Uruguay Round agreement comes into force next year.

The Chinese official praised the EU for what he called its constructive approach to China's Gatt application, explicitly contrasting European and American attitudes. He said a draft protocol for Chinese membership presented when Sir Leon Brittan, the EU trade commissioner, visited Beijing in February contained "many positive elements".

The protocol includes provision for a transitional phase after China re-enters Gatt, safeguards against sudden surges of Chinese imports, and arrangements for a regular review of Chinese compliance with the trade body's rules.

Mr Long, a vice-minister in the foreign trade ministry, said China was prepared to negotiate a transitional period – to the end of the century – during which it would remove most non-tariff barriers, align its technical standards with international norms and make its currency, the renminbi, fully convertible.

He added, however, that there should be no need for further special reviews of China's performance after the end of the transitional period. On safeguards, Beijing reserved the right to retaliate against attempts to "single out" China for trade penalties, by withdrawing some of its concessions on market access.

Further negotiations with the EU on these issues are due later this month, before the next meeting of Gatt's China working party in Geneva towards the end of June. Mr Long stressed that China's attempt to rejoin Gatt was "part and parcel" of its economic reforms, but that there was a limit to concessions China was prepared to make.

"Western negotiators should understand that China's transition from a planned economy is a great experiment," he said. "If you ask for things to be done immediately, we have to say No. We're not looking for Gatt entry at any price – at the cost of social stability, or of throwing a lot of workers out of jobs. "If the US can also find the practical, realistic approach adopted by the EU, we can make progress."

During the eight years of negotiations on China's Gatt membership, the US has generally taken the lead. But recently, with US policymakers preoccupied by the MFN issue, the Europeans have assumed a higher profile. Last year, the US notched up a record \$22.8bn bilateral trade deficit with China, while the EU's deficit with China fell from \$12bn to \$10bn.

Mr Long acknowledged that the Gatt negotiations had been overshadowed by the MFN dispute, but expressed hope that the two issues could soon be separated. "Trade is trade, and politics is politics," he said.

He said it was in the world's interests as well as Beijing's to ensure that China joined the World Trade Organisation at its inception. The WTO, he said, would be "incomplete" without a country containing one fifth of the world's population and its 11th largest trading nation.

"We are trying to get into Gatt not because we see immediate economic benefits but because we want to make our economic system compatible with the world trade regime, so that foreign businesses have more confidence in our economy," he stressed. "If we really wanted to damage the world trading order, why would we bother trying to get into Gatt? It will put a straitjacket on us."

A European diplomat in Beijing agreed the EU had won points with Beijing by coming forward with its own Gatt proposals. There was no fundamental difference between Brussels and Washington on market access, transparency of import rules, and intellectual property rights. "We are competitors, but we all have the same interest: breaking open the Chinese market," he said.

Piaggio in Chinese scooter venture

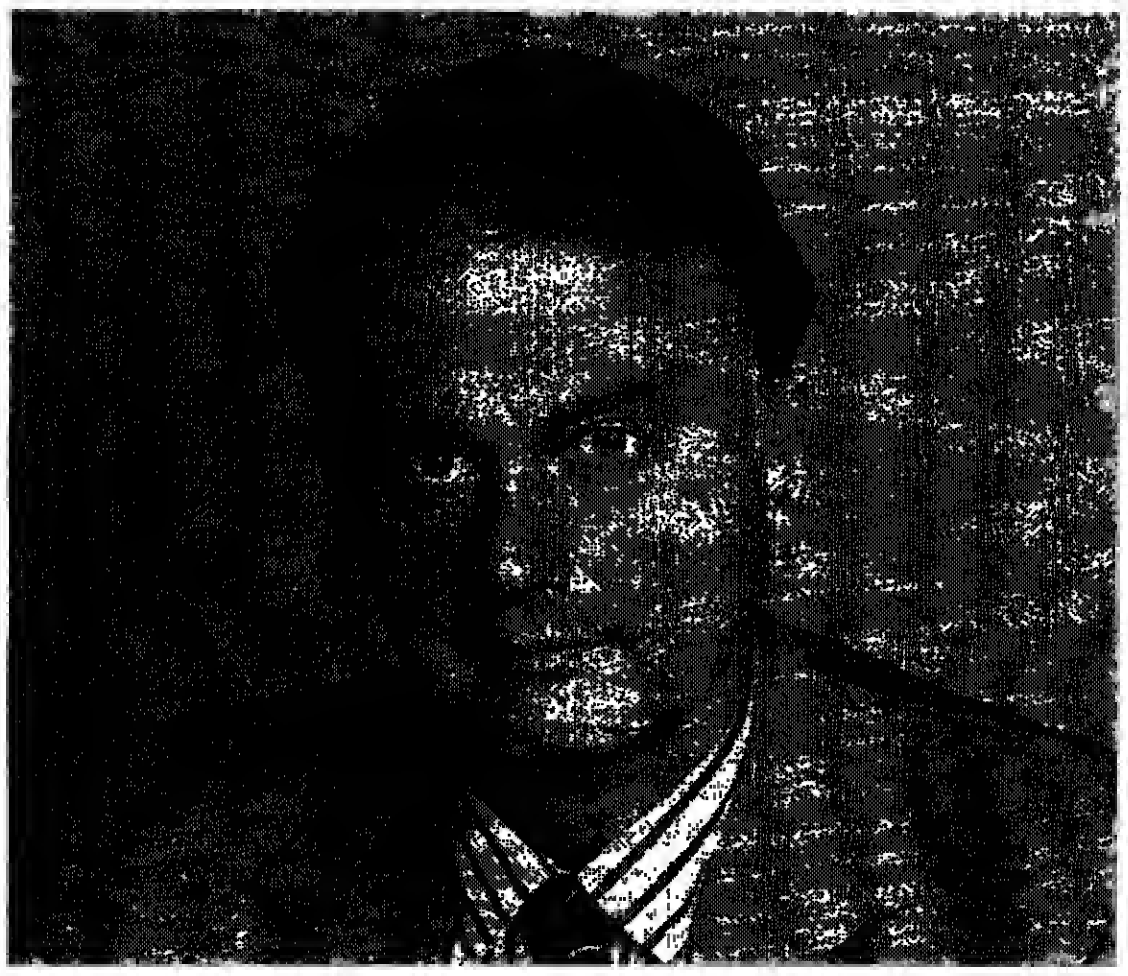
By Andrew Hill in Milan

Piaggio, the Italian scooter manufacturer, aims to produce 500,000 motor scooters a year for the growing Chinese market by 1998, through a local joint venture set up near the port of Guangzhou.

The privately owned Italian company announced yesterday that the Chinese authorities had approved the venture, which will require a total investment of \$100m (£68.4m) up to 1997 by Piaggio and its partners, backed by international banks.

The new venture, Piaggio Lyman Foshan, is 75 per cent controlled by Hong Kong-registered Piaggio Lyman China, and 25 per cent by Fosti Motorcycle of China. The Hong Kong company is itself 51 per cent-owned by the Piaggio parent company and 49 per cent by Satya Djaya Group of Indonesia.

Piaggio should export 40,000 vehicles this year to China. The new joint venture in Foshan, in the province of Guangdong, will produce about 7,000 scooters this year, and 100,000 next year.



US will be heavily exposed if this week's intervention proves insufficient

Treasury takes risks to back dollar

By George Graham in Washington

This week's massive concerted intervention by central banks around the world to stop the fall of the US dollar has pushed the US Treasury a long way out on a somewhat fragile limb.

In an effort to break the financial markets' perception that the US, to increase its leverage in trade negotiations with Japan, is actively pushing or passively permitting the dollar's slide against the yen, Mr Lloyd Bentsen, the Treasury secretary, said the Clinton administration saw "no advantage in an undervalued currency".

"Recent movements in exchange markets have gone beyond what is justified by economic fundamentals," Mr Bentsen said.

But that bold statement leaves the US heavily exposed if Wednesday's central bank purchases of dollars turn out to be insufficient to turn the foreign exchange markets.

Currency intervention has worked on many occasions in the past, especially when, as now, it is intended not so much to defend a particular currency level as to send a more general message to the markets about policy.

It has failed just as often, however, particularly when governments tried to fly in the teeth of economic reality.

"The key criterion is whether intervention is moving in the same direction as the underlying fundamentals would suggest, or is trying to buck them," said Mr Fred Bergsten, a senior Treasury official in the Carter administration, who now heads the Institute for International Economics, a Washington think tank.

An examination of the US economy, which continues to grow steadily and much faster than either Japan or continental Europe, lends considerable weight to the administration's analysis of fundamentals.

In addition, the general direction of US interest rates is widely perceived to be upwards, as the Federal Reserve continues to tighten monetary policy to choke off any signs of inflation that may emerge with the recovery. Although Japanese interest rates are not thought to have any more room to move downwards, continental Europe is still expected to see further cuts in interest rates.

The relative trends of interest rates should, therefore, make the dollar more attractive to investors.

But currency markets' expectations are built not just on the relative strengths of different economies, but on changes in those relative strengths. Forecasts of US growth are now lower than they were at the beginning of the year, while the German economy, though still much weaker than the US, is now thought to be a little stronger than it was.

That, in turn, could mean that the Fed will not raise its interest rates as much, and the Bundesbank not lower its rates as much, as markets previously expected.

In either event, the Clinton administration is virtually powerless to do much about this. It does not want to stimulate an economy which it views as growing quite satisfactorily, without overheating; and it certainly does not want the Fed to raise rates further to defend the currency.

The question is whether the US is equally impotent to dispel the markets' expectations of a further dollar depreciation against the yen.

Senior Treasury officials believe their actions and statements should now have dispelled the markets' perception that the US was pursuing a policy of depreciating the dollar, whether actively or through benign neglect.

Mr Bergsten argues, however, that the benign neglect is not American but Japanese.

He says the only way to redress Japan's large and growing current account surplus not just with the US but with the rest of the world is through stimulating the domestic economy, lowering barriers to its markets or a further appreciation of the yen.

The US has been urging the first two policies for some time, in vain. Its chances of success have not been improved by the recent change in the Japanese government.

Close vote on US gun ban law expected

By Jurek Martin in Washington

The US House of Representatives was facing the tightest of votes yesterday on the bill banning sales of 19 different types of semi-automatic assault weapons and large magazine guns.

The bill, sponsored by Congressman Charles Schumer, the New York Democrat, has emerged as a serious test of the power of tha gun lobby, which has experienced some unaccustomed setbacks around the country in recent months.

Earlier this week it appeared that the legislation would fall 15-20 votes short of securing a simply majority in the 435-member House. But a ferocious lobbying effort by the Clinton administration, bolstered by supportive letters from former presidents Ford, Reagan and Carter, had narrowed the gap by yesterday morning.

Some conspicuous converts to the gun control cause were echieved in the last 24 hours, including two congressmen from Texas, a state in which the National Rifle Association has long been a particularly powerful political force. Yesterday morning, President Bill Clinton personally welcomed in the Rose Garden Congressman Steve Neal of North Carolina, who is retiring at the end this session, as the latest convert.

However, the bill finds the Democratic party leadership divided. Congressman Jack Brooks from Texas, cha[...] of the House judiciary co[...]tee, opposes the ban an[...] the provision out of the [...] bus crime bill passed b[...] House last month (the S[...] version, passed last year[...] outlaw the assault weapo[...]

Mr Tom Foley, speaker [...] House, is also on reco[...] opposing it, mostly out o[...]erence to his constituen[...] the state of Washington, [...] hunting is popular. Bu[...] Wednesday he hinted th[...] would only vote "in case [...]tie", leaving open the pr[...] that he might choose n[...] oppose his president on [...] issue.

The bill places many [...]bers in severe dilemmas[...] polls suggest overwhelm[...] public support for such a [...] also desired by police aut[...]ties. Support is stronges[...] America's suburbs, the [...] populous political const[...]ency.

But the opponents of [...] control, directed by the N[...] are well financed and or[...]ised.

Their argument is that [...] ban on assault weapons [...] merely the beginning of [...] slippery slope which ends [...] the banning of all privat[...] owned firearms, thus, in th[...] view, violating the consti[...]tional right to bear arms.

Congressman Jim Chapm[...] the Democrat from east Tex[...] said: "If you polled my distr[...] it would be a toss-up. But the calls are against it."

Panama party of dictators set for victory

Stephen Fidler looks at the main runners competing in Sunday's presidential election

A Panama City barber awaiting customers this week reads a local newspaper whose headline proclaims "Blades is an American citizen". Blades is not, but has lived abroad, mostly in Los Angeles, for 20 years. AP

The party of Panama's two military dictators, Omar Torrijos and Manuel Noriega, is heading into Sunday's presidential elections as favourite to provide the country's next head-of-state.

Front-runner is Mr Ernesto Pérez Balladares, 47, who has in the past four years masterminded the rebuilding of the Revolutionary Democratic party (PRD) which was shattered by the December 1989 US invasion whicb ousted Gen Noriega, now serving 40 years in a Miami jail for drugs offences. He was a financial advisor to Gen Torrijos and campaign manager for Gen Noriega's candidate for the 1989 elections, which the dictator later annulled.

Although it invaded the country less than five years ago, Washington has made it plain it can live with whichever of the seven candidates wins the one-round election. But Mr Balladares, a former banker with Citibank and a Wharton School MBA, has only been partly successful in distancing himself from the party's militarist past.

His task was made tougher by a videotape shown nationally last month by President Guillermo Endara which reminded people of the military-sponsored violence surrounding the last election.

If any of Mr Balladares's six opponents has gained from the tape, it seems to have been a political outsider, Mr Rubén Blades, and none of the past or present members of Mr Endara's anti-militarist coalition.

Mr Blades, now the closest contender to the PRD, has spent most of the last two decades in the US, acting – he appeared in Robert Redford's Milagro Beanfield War – singing and qualifying as a lawyer. His absence appears to be, on balance, an electoral asset because he – if not all of his party – has no association with government corruption.

The main question over his candidature is what he and his makeshift political movement, Papa Egoró – it means Mother Earth in a local indian dialect – stand for. Its broad themes are issues such as improving popular participation in government and improving peoples' self-esteem, but what this would translate into in policy terms is far from clear.

The fact that the two front-runners are outside Mr Endara's *civilista* coalition is widely seen as testimony to the government's unimpressive performance.

The government of Mr Endara, who cannot by law stand in the election, has been seen as indecisive. Although, it has overseen rapid growth that has brought the economy back to its level of 1987, before US sanctions on the Noriega government sent the economy into a tailspin, his government has not received much credit for it.

In part this is because growth has been concentrated in a few sectors – including the free zone at Colón which now does an annual $11bn of business – and the trickle down to the poorest has been limited. Unemployment stays high at 14 per cent. A construction boom is under way in Panama City, for example, but it has been financed in part by drugs money and is largely of high-priced apartments.

While allegations of corruption and involvement in drugs trafficking have been less prevalent than in the military years, the probity of the government has also been called into question. The president's reputation was not helped when his young wife, Ana Mae Díaz de Endara, won the jackpot in one Christmas lottery – the biggest of the year.

Rising crime is also perceived as a problem. "Endara's government has failed to adhere to the old PRD maxim of keeping the country safe and stealing everything themselves," said one banker.

The main achievements, say bankers, have been some movement towards settlement of the Noriega-era foreign debt defaults and strict control over the budget, though neither has much electoral appeal.

Critics say the coalition united around only one issue – ousting Noriega and the military. Once that was achieved and the military abolished, factionalism took over. The *civilistas* could not agree on a common presidential candidate. Their leading contender is probably Mr Rubén Carles, 73, the budget minister in the current government and a former Chase Manhattan banker, but he is widely considered to be too far behind in the opinion polls to be in contention.

None of the candidates is promising much new on the economy, which has been one of the few in Latin America where there has been no significant move towards lower tariffs and market-oriented reforms. There is some talk of privatisation of the telephone and electricity systems, the ports and the hardly-functioning trans-isthmus railway, but it has not been an important campaign issue.

Balladares: front-runner

Blades: outsider

The centre-left PRD lays more emphasis on government spending and popular public works projects. But its ability to spend will be constrained by the government's inability both to print money (the economy is dollar-based) and to borrow it, because of a continuing default on its bank debt. Mr Balladares's supporters say he is more likely to confront the local business oligarchy, which favours a continuation of protectionism.

The central issue facing the new government will be how it handles the takeover of some 80,200 acres of land and facilities – including 4,800 buildings, schools, houses and airports – which will be handed to the Panamanian government as the US pulls out of the country in 1999. The 10,000 US troops there now contribute an estimated $250m to the economy, around 5 per cent of GDP.

These properties – which are full of infrastructure that the rest of the country desperately lacks – are valued anywhere between $8bn and $30bn. Some Panamanians worry the handover will be managed badly and the prizes will be allotted to the cronies of the next government.

Mr Ricaurte Vasqnez Morales, treasury and then planning minister between 1982-88, says: "This is at the core of what the real political struggle is about: who takes control of these properties. It's like winning a war."

NY art auctions end hopes of upturn

By Antony Thorncroft

This week's New York auctions of leading works of contemporary art have shattered soms of the growing optimism that the international art and antiqnes market was making a strong recovery.

At Sotheby's on Wednesday night the most important work on sale this week, "Highway" by Jasper Johns, expected to make around $8m (£5.4m), was unsold, while at Christie's on Tuesday almost half the lots on offer failed to find buyers. This was a disappointment after the success of last winter's contemporary auctions in New York.

Sotheby's had the better experience. Apart from the failure of the Johns the auction did quite well, totalling almost $20.5m, and with over 70 per cent of works on offer selling.

"Cubi V", a sculpture by David Smith, went to a private American collector for a record $4m. It is one of a series of 28 such sculptures, most of which are already in museums. "Dark Green Painting" by Arshile Gorky, his last important work before his death in 1948, made $3.5m. Both works were sold from the collection of Mr and Mrs H. Gates Lloyd: he was the former deputy director of the Central Intelligence Agency.

In contrast Christie's sold its main offering, a drip painting by Jackson Pollock, for $1.76m. This was well below its $2m-$3m estimate. It seems the good results last time round encouraged some leading works into the saleroom, but with reserves higher than the market could stand.

Call for tighter derivative regulation

By Richard Waters in New York

The activities of all U[...] companies which use deriv[...]tives should be subject to clo[...] regulation by the Securitie[...] and Exchange Commission[...] according to the draft of [...] long-awaited report due to b[...] published on May 18.

The proposal, from the US's General Accounting Office, would impose new rules on many of the US's biggest companies, which use derivatives to manage exposure to interest rate, currency or other risks.

The GAO report is likely to add to pressure in Washington for early legislation on derivatives – financial instruments whose value is based on some underlying asset or market. The rapid growth in the use of such instruments has caused concern among regulators and policy makers.

Industry trade groups, derivatives exchanges and other interested parties were this week given a brief opportunity to read the 200-page draft report. According to one person who read it, the tone of its conclusions was "unremittingly negative".

The report's main conclusions are believed to be that regulation should be extended both to companies that use derivatives, and to the unregulated subsidiaries of securities companies, among the biggest traders in such instruments.

The report is understood to propose that companies which use the instruments report their derivatives exposures to the SEC, and that the SEC lay down requirements for boards of directors to control their activities in this area.

Company law reform fails in Brazilian congress

By Angus Foster in São Paulo

Brazil's congress has failed to approve a constitutional amendment designed to make Brazilian and foreign companies equal before the law. Under the widely criticised 1988 constitution, Brazilian companies enjoy some advantages over foreign-controlled competitors, and these will now be maintained.

The decision, which foreign and business interests said was disappointing, is ths latest in a series of setbacks for Brazil's constitutional revision, under way since last October. The revision process, seen by many analysts as crucial to restoring the government's ability to govern, has so far failed to make any meaningful changes.

Congress voted on the latest proposal late on Wednesday but fell three votes short of the necessary 293 for the measure to be approved. As a result, it will lapse. The lack of support, blamed on congressional apathy and internal party politics, also threatens other proposals to modernise the economy, such as allowing entry to foreign controlled mining companies.

Proposals to open up Brazil's petroleum and telecommunications monopolies havs virtually been shelved.

Party leaders, who have been unable and sometimes unwilling to mobilise their parliamentarians to vote because of electoral considerations, were due to meet again yesterday to try to agree a basic list of constitutional amendments. But the period reserved for the revision, which lasts until the end of this month, is nearly over and few if any important changes are likely.

The law which Wednesday's vote maintained establishes that Brazilian companies with Brazilian capital are assured benefits and protections, theoretically temporary, to develop "activities considered strategic". It also establishes that government agencies buying goods and services should give preference to Brazilian companies.

Tinker with the motor but head in the same direction

Mexico's probable next president, Ernesto Zedillo, outlines his plans to Damian Fraser

Mr Ernesto Zedillo, presidential candidate of Mexico's governing party, comes from the same cadre of US-trained economists that has dominated public policy in Mexico over the past six years, so it is not surprising that he is a staunch supporter of the pro-market economic and social reforms that have marked the presidency of Mr Carlos Salinas.

Nevertheless, Mr Zedillo insists that if, as is probable, he wins the election in August, there will be some significant changes in economic and social policy. Mr Zedillo diplomatically says the current government has not bad time to embark on all the reforms necessary to make the economy more efficient, and the country more prosperous.

In an interview, Mr Zedillo highlighted three areas where new policies could be expected. However, he was careful to support the government's current conservative macro-economic policy, and underlined his commitment to a stable currency and low inflation.

● Legal reform. Mr Zedillo called for a fundamental reform of Mexico's notoriously inefficient and corrupt legal system. This is an issue that Mr Salinas has hardly touched. But after the assassination of Luis Donaldo Colosio, the late presidential candidate, and the rise in organised crime highlighted by recent kidnappings, legal reform has become a central theme of Mr Zedillo's presidential campaign.

Mr Zedillo said he would seek to modernise criminal laws, reform the judiciary and police and change the role of public prosecutors in the justice system. Judges, he said, should be more independent of the government than they are now and more responsive to the public. He hinted at soma form of citizen or congressional input into selection of judges.

Mr Zedillo said that the absence of a strong legal system not only affected the administration of justice hut was an impediment to economic efficiency. "I believe thet one of the essential conditions of sustainable economic growth is that a rule of law prevails. I am sure that respect for the law will lead to more investment."

● Micro-economic reform. Mr Zedillo promised to continue deregulation of the economy, which he believes has not gone far enough. "Despite the efforts that we have made in this administration, there are still regulations at the national and state level that impede the flow of investment and obstruct the productive process." Specifically, Mr Zedillo pointed to a simpler tax system to help medium-sized and small businesses, and significantly would not rule out a change to the current restrictive federal labour law.

However, the candidate also talked about a more active role for the government in business. He said thet his government would do more to help business train workers, acquire modern technology, and borrow at low interest rates than has the current administration.

● Democratic and governmental reform. Mr Zedillo insisted that it was "indispensable to move ahead witb democracy – it is an essential condition for the development of the country." Disagreeing with those who argue that recent social and democratic reforms have contributed to current instability in Mexico, Mr Zedillo said more democratic changes would strengthen the government's capacity to govern.

Mr Zedillo proposed a decentralisation of Mexico's government, giving more powers to states to run their affairs. In this he was following closely the policies ontlined by Mr Colosio, for whom he worked as campaign manager. Mr Zedillo further said he believed that Mexico's impotent congress should be given more authority to scrutinise legislation.

Howaver, Mr Zedillo appeared to shy away from a reform of the Institutional Revolutionary party (PRI), which many consider a critical step in the democratisation of the country. He said: "The problem of democracy is not just of the PRI – it is a problem of all the society, of citizens of all the political parties. What is important for democracy in Mexico is that there is equitable competition between all the parties."

Mr Zedillo seems determined to keep the PRI united in the run-up to the election and apparently sees no contradiction between reaching out to the more unsavoury elements in the party and promising more democracy. He vehemently defended Mr Carlos Hank Gonzalez, agriculture minister, who has been accused of using public funds to rally support for Mr Zedillo, saying the attacks were orchestrated by the opposition to discredit the PRI.

While Mr Zedillo's campaign is more austere than those of the PRI in the past, the competition between the political parties is bardly equitable. Mr Zedillo far outspends opposition candidates and, unlike the others, flies around the country in a private jet lent by a businessmen and enjoys highly favourable television coverage.

The Mexican government and Zapatista rebels have re-started talks aimed at formally ending the conflict in the southern state of Chiapas, Damian Fraser writes from Mexico City.

Mr Manuel Camacho, the government peace negotiator in Chiapas, met leaders of the Zapatista movement at a secret location in the Chiapas jungle on Wednesday afternoon. Mr Camacho was yesterday expected to report on the outcome of the talks. The Zapatistas launched their rebellion on New Year's Day, pressing for land reform, indigenous peoples' rights and more democracy.

The government and the Zapatistas last met on March 2, when the government presented a peace offer. The Zapatistas have still not responded formally to it, and temporarily broke off consultations with their supporters on their response after the assassination of the ruling Institutional Revolutionary party's presidential candidate, Mr Luis Donaldo Colosio.

In recent weeks tensions in Chiapas have eased as peasants have largely ended the land invasions that led to violent confrontation with rich landowners. Mr Ernesto Zedillo, chosen to replace Mr Colosio as the PRI's presidential candidate, was in Chiapas yesterday, and gave his unconditional support to the peace process.

Insurers face $16m payout on Ayrton Senna

By Richard Lapper

Insurers, including underwriters at the troubled Lloyd's of London, face a payout of at least $16m following the death last weekend of Ayrton Senna, the racing driver.

Senna, a three-times Formula One world champion, died from injuries sustained during the San Marino Grand Prix on 1 May. He was covered against death and injury by a personal accident policy, underwritten by both insurance companies and Lloyd's syndicates. Typically policies cover annual income, medical and other expenses.

Additional multi-million dollar insurance claims are also expected to emerge on so-called "death and disgrace" policies, which cover most of Senna's sponsors against any loss of advertising revenue and extra expenses incurred as a result of the death or injury.

One of these policies is understood to provide cover of at least $5m. A range of other companies also insured the value of endorsements – given by Senna in return for a fee – to their products.

Senna's death follows that of a rival grand prix driver, Roland Ratzenberger at San Marino on 30 April and only a week after the death of boxer Bradley Stone, who collapsed last week hours after an unsuccessful challenge for the super-bantamweight title.

The payout looks likely to be the highest ever by personal accident insurers to a sportsman and is expected to lead to a contraction in the highly specialised corner of the insurance market.

Annual premium income from professional sportsmen's personal accident premiums is estimated to amount to about £20m, of which between 10 and 15 per cent is generated by racing drivers.

Professional soccer players account for up to 40 per cent of the total.

Previous heavy claims include $14m paid to an American footballer paralysed after sustaining critical injuries. "This is one of the largest personal accident loses of any sportsman," commented one broker. Senna, who was widely regarded as one of the safest grand prix drivers, is understood to have paid some $500,000 for a policy which covered accident and medical expenses. For the personal accident element of the policy, the basic rate of 0.75 per cent (of the sum insured) was at the lower end of the range of rates charged to racing drivers.

Motor racing drivers can pay up to 1.5 per cent of the sum insured for basic PA cover. The broker said that following safety improvements in recent years insurers rated the policies with the expectation that claims would cover injuries and medical costs rather than death.

Many still in dark over cross-channel route

Charles Batchelor previews the tunnel service

The Queen and President Mitterrand will officially open the Channel tunnel today. But, despite the publicity surrounding one of the most ambitious engineering projects this century, many potential travellers are still in the dark about how it will work. Here is a users' guide.

When will the tunnel open?

That depends on who you are. Truck drivers may be able to start using the tunnel from next week but car drivers will have to wait until July. Details have yet to be given but Eurotunnel hopes then to offer a limited service for shareholders, long-term supporters of the project and others "by invitation only."

About 50,000 car-loads of special invitees are expected to make the trip at reduced rates or for free before a nearly full-scale paying service starts in September/October.

Through train services on Eurostar trains between London Waterloo and Paris and Brussels are expected to start up sometime in the summer, again initially with only a limited service.

Can I drive through the tunnel?

No. If you take your car you will have to put it on one of the shuttles which will run between Folkestone and Calais.

Can I put my car on a shuttle in London, Paris or Brussels?

No. The Eurostar services between the three capitals are for foot passengers only.

What will it cost?

Fares for the car shuttles will range from £310 at peak summer weekends for a car and full complement of passengers falling to £220 in winter. These prices are roughly comparable with ferry prices but they discriminate against, for example, business travellers alone in their car or couples.

Fares for the Eurostar services have yet to be announced. Business travellers paying full fare can expect to pay a similar price to the airline fare of around £200 but special deals for leisure and off-peak travellers could be as low as £80 return.

Will it be safe?

Eurotunnel calculates that a trip through the tunnel should be 30 times safer than a similar train journey above ground.

Tough safety standards have been enforced by independent inspectors and safety has been designed into the tunnel and its signalling systems. The two running tunnels mean trains never run in opposite directions on the same line while shuttle carriages are designed to contain fire for 30 minutes.

The tunnel has also been built through chalk marl, a soft rock impermeahle to water, at depths of between 80 and 150 feet below the sea bed so a sudden influx of water is unlikely.

But travellers will be expected to stay with their cars on the shuttles. If a car develops a petrol leak and catches fire passengers would have to move to the next carriage quickly. There are also fears that the open lorry shuttles (car shuttles are enclosed) would mean a fire or fumes could spread more quickly.

How long will it take?

If you are just taking a shuttle through the tunnel the motorway-to-autoroute time is just over an hour of which half is spent actually in the tunnel. If you are travelling by Eurostar the London to Paris journey tima will be 3 hours and London to Brussels time will be 3 bours 15 minutes.

These through journey times should be cut to 2¼ hours and 2 hours 10 minutes respectively after the Belgians complete tbeir high-speed link in 1996 and the British huild their Channel tunnel rail link hy around 2002.

The Eurostar trains should provide a faster, more convenient service between the three capitals than is possible hy air. The advantage of the train is it delivers travellers to the city centre, it is not susceptible to fog or other airline delays and it also provides an uninterrupted journey.

What are the facilities for relaxing during the journey?

Eurostar travellers will have the normal facilities of a train journey including meals (served at your seat for first class passengers) and a bar.

But travellers on the shuttle have only "a loo and a light bulb," as the ferry companies like to describe it.

Voters make their way to a polling station in London's East End where legal monitors were present due to fears of intimidation. The area was tense following recent victories by the far-right British National Party. Elsewhere more than than half the nation's electorate was eligible to vote in local polls seen as crucial to the fortunes of the government and the prime minister. Picture: Colin Beere

Workers 'lured' to east Germany

By Andrew Taylor, Construction Correspondent

Hundrads of British construction workers lured to east German building sites by the promises of high wages have been left destitute after being cheated hy unscrupulous labour agencies and employers the UK Building Employers Confederation (BEC) warned yesterday.

Arrangements to ship bome 150 distressed construction workers was made in a single month this year by Britisb consulates in Germany according to the UK foreign office.

One 19-year-old Londoner was paid the equivalent of £10 for four weeks grinding the surface of bricks in a German car park hefore being dismissed for allegedly poor work. Conditions on the site were very poor and the worker was not provided with a mask, said the BEC, which has interviewed a number of recently returned workers.

It claims many more are still trapped or trying to make their way bome, unaided. Britisb consulates will help individuals trace friends and relatives who might pay for fares and make travel arrangements but do not provide money.

A big rise in eastern German construction following the unification of the country has increased demand for cheap labour sucking in thousands of temporary workers from eastern Europe, Turkey and also from Britain.

German construction workers under the country's strict labour laws are much more costly than foreign workers many of whom are uneducated or do not speak the language and find it difficult to complain about appalling living standards or dangerous working conditions.

Mrs Elizabeth Bridge, BEC's director of taxation services, said she was alerted to the scale of the problem after UK construction workers requested information on how to reclaim German tax paid on wages. They had been duped into accepting lower wages on the false grounds that British authorities would repay the tax.

Many of the labour agencies advertising for bricklayers, plasterers and scaffolders in British national newspapers are based in Belgium or Holland outside of Germany where they would be illegal. Job seekers mostly are interviewed in bars or public places.

A 36-year-old scaffolder who answered an advertisement in the Sun newspaper was told to make his way to a Frankfurt botel where be waited for three days with about 50 other workers. Their potential employer never arrived and the scaffolder was left with a £400 bill. The agents could not be traced.

Super tram venture appeals for funds

By Charles Batchelor, Transport Correspondent

Promoters of a £112m plan for a West Midlands "super tram" yesterday relaunched their appeal for government funding though approval in next November's budget would still mean a delay of four years in starting the service.

Centro, the West Midlands passenger transport executive, has formed a joint venture with two private sector companies to build a 13-mile long tram link between Wolverhampton and central Birmingbam. The Midland Metro would be the third modern light rail system to be built in the UK after similar projects in Manchester and Sheffield.

It has been delayed by pressure on government finances which bave meant that the £102m of public sector funding bas not been sanctioned. Approval in November would means services could start in 1998, four years late.

The Midlands proposal involves tbe greatest transfer of risk to the private sector and the largest private sector contribntion to a light rail project, said Mr Bob Tarr, Centro director general.

Centro's two private sector partners, the John Laing construction group and the Italian anpplier of rail systems, Ansaldo Trasporti, would put £9.2m into the project in return for a 23-year operating concession, inclnding a three-year construction period.

Centro is seeking a further £80m in UK pnblic sector finance and £22m of European Union funds. The UK public sector contribution will comprise £40m of government grant and £40m raised by local anthority borrowing requiring Treasury approval.

All the operating risks have been transferred to Laing and Ansaldo, the two companies said. If the project does badly and they pull ont they forfeit a £5m deposit to Centro while if "super profits" are made on the line a share will also have to be paid to Centro.

EU court blow to pensions for all at 60

By Robert Taylor, Labour Correspondent

Women in Britain hoping European Union law would help them secure a full pension at 60 suffered a setback yesterday.

The advocate-general of the European Court of Justice said EU law did not prevent an amployer raising a woman's pension age to 65, the same as a man. The court usually confirms the advocate-general's opinions.

The case being considered by the court involves 78 women who work for Avdel Systems, a company in the town of Bedford, north of London.

They had planned to retire at 60 on full pension but were told by their employer in July 1991 that unless thay continued to work until they were 65 their total pension entitlement would be cut by 20 per cent.

"We are obviously disappointed for the women," said Ms Kamlesh Bahl, chairwoman of the Equal Opportunities Commission, the UK equality watchdog. "They have lost substantial pension rights as a result of the change and feel it is wrong that in the name of equality those rights have been taken away."

Mr Alan Jenkinson, policy director at Sedgwick Nobles Lowndes, employee benefits consultants, said: "The opinion goes further than general practice in this country, as few employers are equalising pension ages for service up to May 1990.

"But it is unlikely employers will take full advantage of it. Not only will it complicate the administration of their pension schemes, but the changes it will bring would be harsh on their female employees."

The European Court's Barber v Guardian Royal Exchange ruling in 1990 found that pensions were part of pay, so men and women had to be treated equally. Occupational pension schemes had to remove sex discrimination from their rules – including the different ages at which pensions begin.

Yesterday's opinion, if confirmed, would mean employers could set the retirement age and would not, under European law, have to preserve any previous advantage held by women.

They would still have to ensure, however, full equality of pension entitlement for service after May 17 1990, the date of the Barber ruling. Under a European court ruling last October employers are not obliged to pay equal pensions to men and women for service before May 1990.

For the women at Avdel Systems, pension rights would be protected only between May 1990 and July 1991 when the company raised the age of their pension entitlement. For service before May 1990, the European Court has held that European equality law does not apply.

Supermarkets to face courts over brands

By Robert Peston

Brand manufacturers are planning to launch a series of court cases against supermarkets that sell look-alike products, having become convinced that a full-scale war with the big supermarket chains has become unavoidable.

Their fears of being damaged by supermarket products packaged to resemble market leading brands have been underlined by an NOP opinion poll they have published showing that more than a fifth of all consumers have bought supermarkets' own brands in the mistaken belief that they were purchasing a leading brand.

John Murphy, chairman of the brand development company, Interbrand, and spokesman of the British Producers and Brand Owners Group, said thet the brand manufacturers felt that they had been exploited by supermarkets for too long.

He said the brand ownars would be launching a series of law suits alleging that supermarkets were "passing off" in the packaging of products.

Coca Cola is widely expected to initiate the legal campaign with a passing-off case against Sainsbury for allegedly infringing its intellectual property rights.

"We have made our views known to Sainsbury", said Mr Peter Stokes of Coca Cola. "However I cannot comment on what further action we will take until our talks with the company are completed".

Mr Murphy said that Sainsbury was likely to be the target of several cases. Manufacturers might launch a case against the group in France, where the chain has recently opened a shop in Calais and where the legal restrictions are much tighter than in the UK.

The NOP poll was conducted three weeks ago and involved interviews with 1008 shoppers. Of these, 42 per cent said they had picked a supermarkets' product off the shelf thinking it was a manufacturers' brand and 21 per cent said they had mistakenly bought a look-alike.

Equally worrying for the brand manufacturers is that 41 per cent believed – mistakenly – that supermarkets' products were made by the manufacturers of the market leading equivalents.

The results seem to contradict a MORI poll for the British Retail Consortium of 514 shoppers which found that 78 per cent of shoppers said they never confused branded goods and look-alikes. The brand owners group, which includes Procter & Gamble, Unilver, Nestlé and Mars, has failed to persuade the government to amend the legislation to introduce curbs on look-alikes.

German buyer for Lancer Boss

By Andrew Baxter

The future of Lancer Boss was finally resolved yesterday when administrative receivers to the last big UK-owned prodocer of lift trucks announced they had sold the business to Germany's Jungheinrich.

The deal, which was welcomed by managers and employees at Boss, ends one of the most extraordinary receiverships in UK corporate history. It secures the future of 700 jobs at Boss factories in Leighton Buzzard, Bedfordshire.

Terms of the deal were not disclosed, but it is understood Jungheinrich paid about £18m, excluding debtors, for the Lancer Boss Group and associated companies in tha UK, Ireland and Austria.

The deal – which sees the last significant UK-owned lift truck producer pass into foreign hands – follows intense negotiations in the past few days involving Grant Thornton, the accountants who were appointed administrative receivers on April 8, and the three bidders. Jungheinrich, based in Hamburg, was persuaded to raise its bid "very significantly," outbidding Terex of the US and a proposed management buy-in.

Mr Allan Griffiths, a partner at Grant Thornton and one of the administrative receivers, said the price paid by Jungheinrich was "at the very top end of our estimates."

He would not say how much Boss' banks, led by National Westminster, would receive, but said they were pleased with the deal.

Lancer Boss called in the receivers on April 8 after German banks withdrew support from Steinbock Boss, the UK company's big German unit, prompting it to call in a German receiver.

The case quickly highlighted the difficulties of selling a group with borrowings and operations in different European countries when there are no standard European insolvency rules.

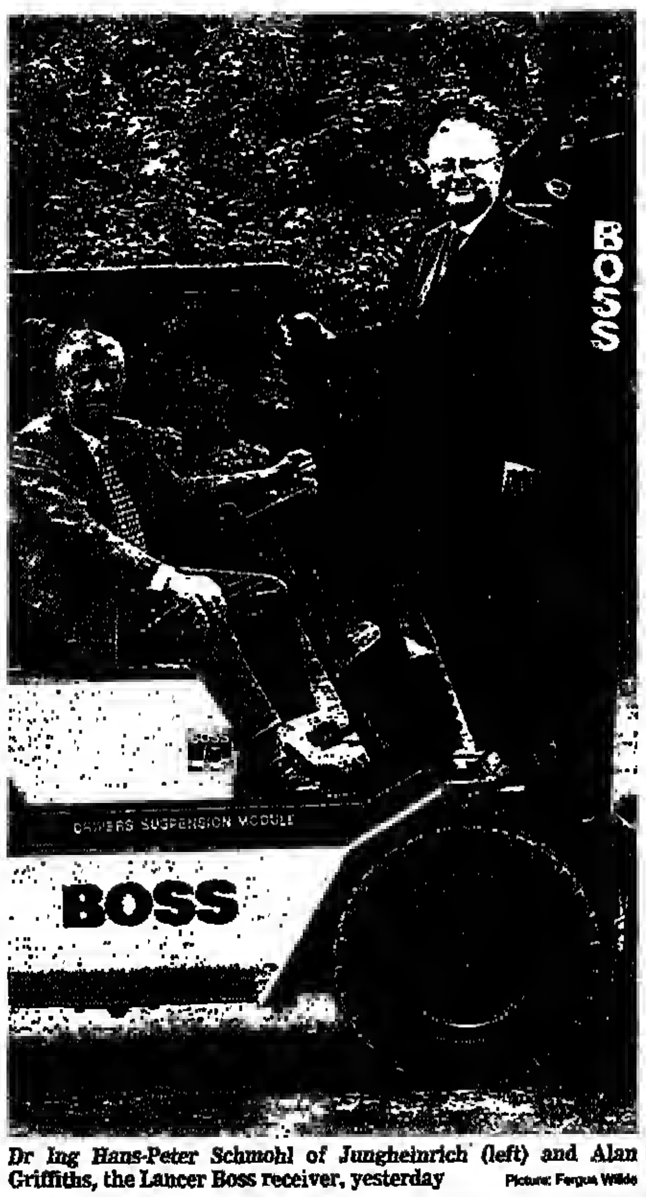
Yesterday, Mr Griffiths said there would have been more international interest in Lancer Boss if he had been able to sell the UK and German sides of the business together.

He warned that a split receivership could reoccur, especially with medium-sized UK companies whose European operations are financed locally, and said he would be sending a report to the Department of Trade and Industry on the lessons learned from the affair.

Junghainrich was always considered the leading contender for Lancer Boss after its purchase of Steinbock Boss. Mr Bob Bischof, chairman of Jungheinrich (GB), defended his company's role in the affair against accusations of a "conspiracy" against Lancer Boss.

He claimed the combined price paid by Jungheinrich for Lancer Boss and Steinbock Boss was virtually the same as it had offered before the receivership to the group's former co-owner and chairman, Sir Neville Bowman Shaw.

Mr Bischof said he was "absolutely sure that no conceivable scenario would endanger jobs" at the Leighton Buzzard plant.



Dr Ing Hans-Peter Schmohl of Jungheinrich (left) and Alan Griffiths, the Lancer Boss receiver, yesterday Picture: Fergus Wilde

Britain in brief

Hunt losses Nissan UK appeal

Mr Michael Hunt, the former Nissan UK managing director jailed for eight years after being found guilty of the largest corporation tax fraud in UK history, yesterday lost his appeal against both conviction and sentence.

Three appeal court judges upheld the majority verdict reached by the trial jury last June convicting Mr Hunt of conspiring to cheat the Inland Revenue of £55m.

The fraud involved Nissan UK, former importers of the Japanese cars, using an intermediary company and false invoices to artificially increase freight charges and so avoid corporation tax over a nine year period.

Giving judgment, Lord Justice Stuart Smith said the eight year sentence was "not a day too long".

Abta to use detectives

The Association of British Travel Agents is launching a two-pronged crackdown on tour operators and travel agents – including the use of private detectives – to safeguard customers against companies going bankrupt.

Members voted nine-to-one at the association's annual meeting last weekend to give the secretariat more powers to look into companies' accounts and activities at any time – for example, if it suspected a company of engaging in activities of which it was not aware.

Russian car group duped

Three British businessmen were convicted yesterday of a multi-million dollar fraud on a Russian automotive company trying to set up a large scale kit car assembly operation following the collapse of the Soviet command economy.

The fraud, centred around the non-delivery of goods paid for in advance by the Russian Autokam company, is seen by UK police and prosecutors as a prime example of the vulnerability of emerging Eastern bloc entrepreneurs to outside exploitation.

Hoskyns seeks role in Crest

Hoskyns, one of the UK's leading computer services companies, has announced it will compete with the London Stock Exchange to become the independent supplier of full operational facilities for the CREST paperless share settlement system.

It is thought that in addition to Hoskyns and the Stock Exchange itself, potential competitors for the Crest contract include AT&T, British Telecom and EDS.

Shoppers face coffee rise

Shoppers could face further increases in the cost of coffee after a surge in the international market has sent wholesale prices rocketing in recent months. The London Commodity Exchange's coffee futures price has risen by 40 per cent or $470 a tonne since the beginning of the year.

A squeeze in coffee supplies on the world market has pushed prices up by $117 a tonne this week alone and although the market slipped back slightly yesterday, analysts say the long-term trend is upwards.

Nationwide unravels links

Nationwide Building Society is to set up wholly-owned life insurance and unit trust subsidiaries which are due to become operational next summer. The move marks a further unravelling of the links that have existed between life insurance companies and building societies.

The society currently acts as a "tied agent" for Guardian Royal Exchange, the composite insurance group, selling only Guardian insurance products.

COMMERCIAL PROPERTY

PEOPLE

Foreign policy expert joins Morgan Grenfell

Sir Rodric Braithwaite, 61, the former foreign policy adviser to Britain's prime minister, has found a City job.

He has been appointed a senior adviser to Morgan Grenfell, the UK merchant bank owned by Deutsche Bank.

Sir Rodric, right, who is also on the European advisory board of ICL, is one of the diplomatic service's most experienced figures, with 37 years notched up, including serving as ambassador in Moscow during the difficult years of 1988 to 1992.

Although he has spent time in Rome, Brussels and Washington, it is Sir Rodric's Russian expertise which will be most useful to Morgan Grenfell; he is fluent in Russian. He is expected to spend about three days a week on bank business.

The merchant bank has been a major player in Eastern Europe for many years.

It was the first UK merchant bank to open an office in Moscow (in 1977) and has arranged over 90 per cent of the export credits to the former Soviet Union.

More recently, it has completed the first limited recourse financing for an oil project in Russia, and is also advising British Gas and Agip on the $6bn Karachaganak gas field development in Kazakhstan.

Whereas most merchant

banks tend to recruit ex-diplomats as non-executive directors, Morgan Grenfell prefers to hire them as advisers.

Last year, Morgan recruited Sir John Whitehead, a former ambassador to Tokyo. This latest appointment, of Sir Rodric, will bring the bank's total of special advisers to four.

Cadbury comes to fore at Premier Brands

Roger Cadbury, 56, has been appointed chairman of Premier Brands, the Hillsdown Holdings subsidiary.

He replaces Bart Constandse, who stands down on June 1. Constandse will also be resigning as a director of Hillsdown – after being with the group for 4½ years – on July 1.

The post of Premier Brands chairman incorporates the European biscuits and beverages division of the group.

Cadbury has considerable experience of the food and beverage business, having worked for Beecham, General Foods and Whitworth Holdings.

He was promoted from being sales director of General Foods to deputy managing director in 1984, moving up to managing director in 1987. He joined Whitworth Holdings as group managing director in January 1990.

Although a member of the well-known Cadbury family – as second cousin of Dominic and Sir Adrian Cadbury, his great-grandfather was their grandfather – *he has never* worked for the Cadbury businesses.

Ironically, however, thanks to a management buy-out which gave birth to Premier Brands, he will now have responsibility for some famous biscuit brands carrying the Cadbury name.

Hillsdown restructured its subsidiaries into four European divisions some 18 months ago.

Of the many familiar beverage brands included in his new portfolio, Typhoo Tea and Bournvita are perhaps the most well-established. Cadbury will be reporting to David Newton, Hillsdown's chief executive.

Constandse will be returning to his native country, Holland, to pursue his business career.

Wetherspoon recruits for a heady future

Tim Martin, the 38-year-old New Zealander who founded and then floated the pub operator JD Wetherspoon, has brought in another young man to help him run the rapidly-expanding chain.

Martin has shared the roles of chairman and managing director since the group came to the market in October, 1992 – a period which has seen the size of its estate grow from 44 pubs to 77.

The choice of Mark McQuater, 34, as the group's new managing director seems partly designed to allay any concern among institutional investors that Martin might overstretch himself, as the group expands beyond its London base.

If reassuring institutions was their brief, the headhunters who came up with McQuater appear to have pressed all the right buttons. A Scottish chartered accountant, he has experience with both big-company procedures in the drinks industry and the City.

For the last five years McQuater has been working in Scotland with Natwest Venture, the clearing bank's venture capital arm. Before that, he spent three years with Scottish and Newcastle Breweries, working on corporate transactions and group planning.

McQuater – who Martin first met in 1987, while signing a deal with S&N – will concentrate on the day-to-day management of the group, allowing the chairman to concentrate on strategic development.

JD Wetherspoon's slick marketing – which involves reserving up to a third of its bar space for non-smokers – has proved successful; another 10 pubs will soon open.

The splitting of his roles is unlikely to mean a drop in salary for Martin, who last year earned £128,000; but the issue is scarcely a burning concern. The group's shares have more than doubled since coming to the market, and the 18 per cent stake held by Martin and his wife is now worth nearly £25m.

New finance director at Green Property

In the space of six months, Green Property, the Dublin-based property investment and development group, has recruited its second corporate finance specialist from the Investment Bank of Ireland (IBI) stable, one of Ireland's leading fund managers.

The 42-year *old Danny* Kitchen is leaving his post as a director of IBI Corporate Finance, to join Green Property *as its new finance* director.

He will be replacing David McDowell, who will continue as a *director on the board and* as company secretary.

Kitchen has worked closely with Richard Hooper, who last *September retired* as the managing director of IBI corporate finance and was immediately recruited onto Green's board as *a non-executive director* by Stephen Vernon, Green's managing director.

Hooper has been involved in most of the major corporate finance deals in Ireland for the past two decades.

Belfast-born, Kitchen was educated at Queen's University and went on to work for Northern Bank, subsequently joining IBI in 1980.

He advised Green on its I£42m acquisition last February of the Irish Merchant Navy Officer's Pension Fund property portfolio, which consists mainly of office buildings in *Dublin's city* centre, and its part financing through a successful I£26.3m three-for-four rights issue.

Vernon said yesterday: "I wanted to take on someone with the appropriate corporate finance skills the company needs and *Danny is* the best man around."

Vernon has been on Green's board since 1989 and became *managing director* in *September* last year, four weeks before Hooper joined the board.

His main experience has been *in the UK property* market. He added yesterday that Kitchen will now bring specialised knowledge of the Irish property and *financial* markets into Green. The company has "ambitious plans for further growth and development," he said.

PROPERTY

An appetising brew

Investors are increasingly heading for the pub. Vanessa Houlder explains why

Investors scouring the commercial property market in search of value are beginning to turn their attention to an unconventional target: pubs.

Pubs are "one of the last untapped *property investment* resources", according to property advisers Erdman Lewis. The recent changes in the UK *brewing industry* – prompted by the 1989 Monopolies and Mergers Commission report designed to make the industry more competitive – *has* potentially opened up a new class of property investment, with a total value equivalent to 8 per cent of the *total* property market.

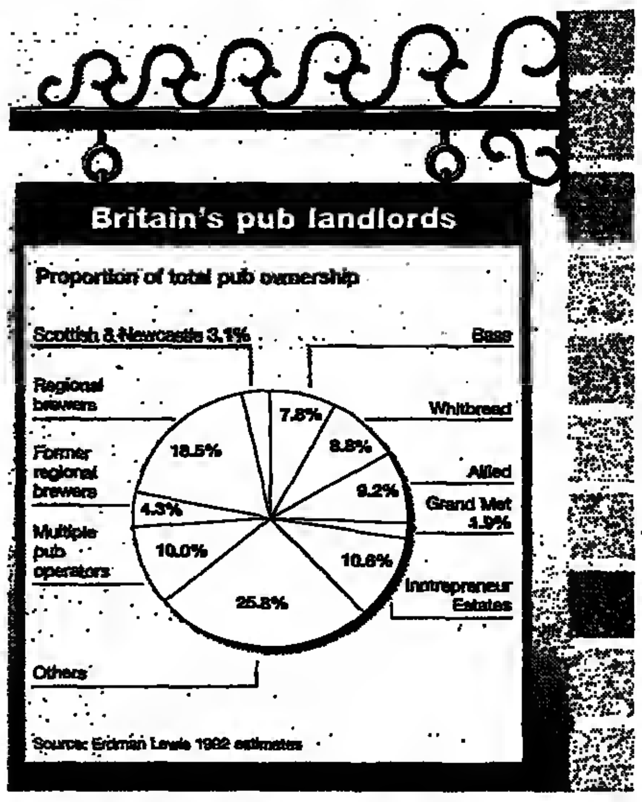
Institutions and property companies have, so far, been *tentative in their* approach to the pub market. But the remarkable performance of the property investment market over the past year is encouraging investors to be more adventurous in their search for bargains. Pubs share many of the characteristics of retail property, but yields (ratio of income to capital) are markedly higher.

"More and more people are looking at pubs as a form of property investment in order to get more attractive yields," says Mr Gareth Jones of Conrad Ritblat Sinclair Goldsmith, property advisers. The recent sale at an auction of a pub in Whitechapel, east London, (currently let to Shepherd Neame) for about £500,000, *on* a yield of 9.5 per cent, is a good example.

Relatively few other deals have yet been *struck*, though some investors are actively considering investing in the *market. Erdman Lewis* estimates that £150m has been earmarked by institutional funds, property companies and family *trusts* to *spend on pub* property.

This nascent interest in the pub property market is the *result of the MMC-induced* shake-up in the industry. In a market traditionally dominated by the brewers, the MMC *limitations* placed *on brewers'* pub ownership has created new opportunities for other investors to enter the market.

In broad terms, the *impetus* for the development of an investment market in pubs is likely to emerge from the search by pub owners for



increasingly creative ways to finance their pub estates.

Opportunities for investors could also arise with the emergence of licensed retailers such *as J D* Wetherspoon, Regent Inns and Grosvenor Inns. According to Erdman Lewis, property investors are prepared *to regard this type of* company as acceptable tenants.

> **'More people are looking at pubs as a form of property investment in order to get more attractive yields'**

The market has been slower to take off than some analysts *expected*. Brewers have so far shown little appetite for striking *sale and* leaseback deals while finance is available from more conventional sources.

They may also be *holding* back while there is continuing uncertainty over the structure of the pub industry until the European Commission reviews in 1997 the competition exemptions that enable British breweries to operate the tied house system.

But an equally important *brake on the* market *is* investors' reticence. This reluctance is not entirely the consequence of unfamiliarity with the sector. *In a survey of investors* that own more than £3bn of direct property *holdings*, Conrad Ritblat Sinclair Goldsmith found that 40 per cent already held pubs as investments in their *property* portfolio, usually as a result of a larger property holding, which in many cases was historic.

One of the most *serious* obstacles blocking direct institutional investment in property is a difference of approach *between investors* and *tenants* concerning the method of rent calculation.

Traditionally, pub operators have based their assessment of rents on the potential trade that could be generated from a pub. This basis of assessing rents deters investors accustomed to calculating rent on the basis of total floor area.

When Conrad Ritblat Sinclair *Goldsmith* surveyed investors it found that rent calculation methods topped the list of concerns. "Problems with rental calculation are evidently preventing investments in public houses," it concluded.

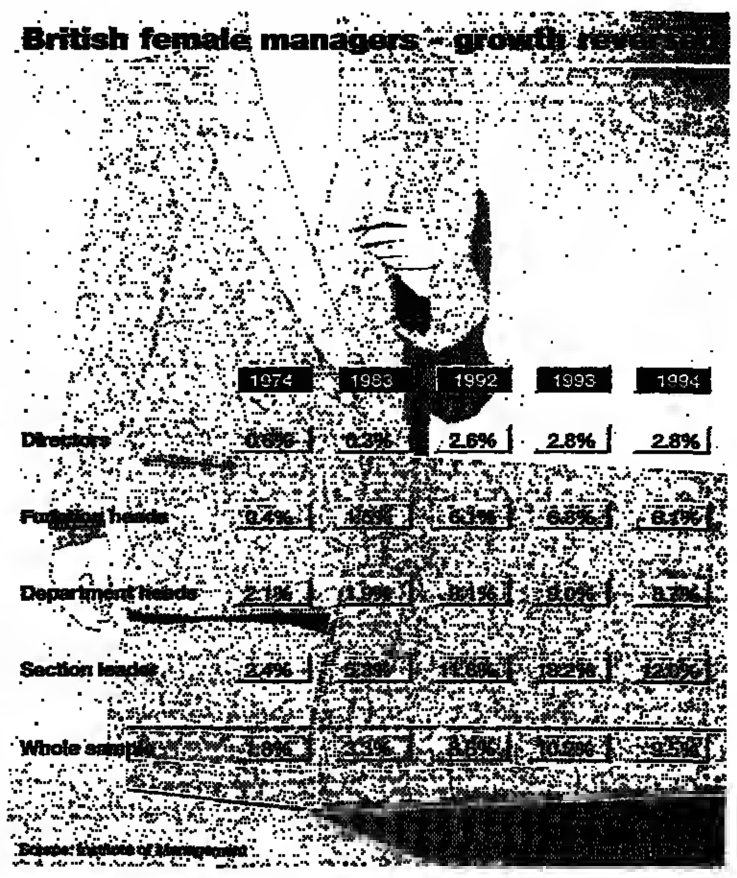
The poor quality of information about rental and capital values is another inhibiting factor holding back potential pub investors. In the Conrad Ritblat *Sinclair Goldsmith* survey, nearly all investors said this factor has resulted in poor market awareness. "In any event, an index demonstrating rental and capital growth is a prerequisite to any significant investment market being created," it said.

The low value of the average pub deal and the heavy toll on management time and effort is another disincentive. Institutions frequently require portfolios of between eight and 50 pubs or big city centre sites, to make it worth their while in investment terms.

Potential investors are also concerned about the perceived oversupply of pubs. The brewing industry expects the closure of a further 10,000 pubs in *the next few years from a total* of about 60,000 at present.

The concern over a possible flood of pub sales over the next *few years is reflected* in *the* higher values commanded by those pubs which could potentially be put to alternative use. *An urban pub*, with a strong potential for alternative use, will command much higher prices than a rural pub.

The dilemma facing potential investors is that some obstacles to the development of a *pub investment market*, such as the lack of a rental index and the method of rental calculation, are unlikely to be *changed in the early stages of* the market's development. Investing in pub property may have attractions, but at present *it is strictly for pioneers*.



Women on the move

Michael McCarrey gives his view on why the number of female directors in the UK has fallen

The number of women at the top of business appears to be falling. This week a survey by the Institute of Management showed that the number of women managers and directors in the UK's biggest companies fell by 6.9 per cent last year. The trend in the US and Canada is also downwards.

Given that many large organisations have affirmative action programmes for women, this situation may seem surprising. Following research in North America I would argue that it has come about because of two filtering biases: sex-based stereotypes and performance management or appraisal.

A sex stereotype consists of ideas concerning ability, skills and preferences which are based on the sex of a person rather than their behaviour and job performance. Stereotypes are short-cuts to decision making because they use the obvious – for instance, is someone male or female? – rather than judging a person's knowledge or evaluating what they have done in their work.

Many people in general believe that women have more "expressive" skills (more relationship-oriented, helpful, emotional, supportive, consensual) and that men have more "instrumental" skills (more autonomous, independent, assertive, take greater risks, are more focused on attaining objectives).

Some psychologists would push our acceptance of the biological differences to believing that these are the basis for different abilities, motivation and personality. Stereotypes are easy-to-use views of people in general, having a grain of truth. The point is that they are based on men and women non-managers in the general population.

Our research asked women and men managers (matched on socio-economic status, salary, position, years of work experience and months of supervisory experience) to describe the meaning of the motivational components of their jobs. The stereotypes would suggest that male managers would primarily offer "instrumental" motivators – for example: "I'll exceed my sales quota"; while the women managers would give "expressive" motivators such as: "I'll feel better."

We found no differences whatsoever. Our results offer no support for the argument that the work motivators for women versus men managers lie in two different worlds.

Critics might still argue that even if their motivations are similar, the behaviour of the sexes – the way they go ahont realising thosa motives – is different: that is, "expressive" for women managers and "instrumental" for men. No doubt promotion and selection board members can selectively recall some candidate behaviours that do fulfil their biased expectations. But this is an example of the self-fulfilling prophesy.

Performance management is the most blatant smoking gun to sex inequity in management jobs. The basic problem is the lack of weight given to the task by CEOs and executive cadre who, in spite of saying the opposite, feel performance appraisal is good for their subordinates, but not for themselves.

Most managers in a group of top US Fortune 500 Companies, for example, did not feel that performance management was a legitimate part of their job as a manager. In their corporate cultures the implication is that the assessment process really belongs to the human resources department, which is seen as complicating the manager's job with armloads of cumbersome, time-consuming forms (in whose design they have had very little involvement). Consequently, line managers are rewarded for tasks which do not include real steps towards the development of their subordinates.

Performance management works to the detriment of women managers because of the way it combines with the aforementioned sex-based stereotypes. It is precisely because performance management is time consuming, difficult and seen as peripheral, that supervisors are too often tempted to use sex-based stereotypes to accelerate or simplify the appraisal process.

For example, our research found that compared with egalitarian supervisors (identified as those who had few sex-based stereotypes), traditional supervisors (who had many stereotypes) devalued the work of their women snbordinates. They appraised them as less able to direct their subordinates antonomously, promote their career development, or affactivaly monitor their day-to-day results.

Little wonder then that an increasing number of women managers react, not so much against the tough demands of modern management regimes as against biased performance management ontcomes. Some women managers have been leaving to run their own companies where stereotyped performance management evaluations will not work to their disadvantage.

Companies that insist on real results in reducing gender inequity in their managerial workforce need to examine their corporate culture and determine the role given to performance management, by comparison with their (other) strategic goals. If the same weight is not given to the improvement of human capital as to market share, profit and other organisational priorities, small wonder the human resources function is often viewed as unrelated to the "real" goals of the company. The acid test here is: do the job descriptions of all staff (board of directors, executive, administration) include meaningful percentages of weights and time spent in subordinate development with examples of what this means in practice?

Many younger companies in fast-moving, high-tech fields have no job descriptions, nor do many self-directed work teams. They need procedures such as weekly or monthly scrutiny of the team "job" description with action statements when indicators show poor outcomes across team goals.

Second, companies insisting on real results in reducing managerial *sex inequity need to examine* the corporate culture of their board of directors, executives and administration for the less overt instances – attitudes, prejudice, defensiveness, posturing, territoriality – of sex bias in recruitment, selection and performance management.

Almost 20 years ago a prominent bank's chairman in Canada reported that the bank was unable to appoint a woman to the board. In response to public outcry and, one suspects, a drop in retail banking market share, the bank appointed an outstanding woman who met the criteria for board membership.

The author is a professor at the Faculty of Social Science, University of Ottawa.

CHRISTOPHER LORENZ

Cross-border victory, national casualty

How time flies. Four years ago a government affairs executive from a big American multinational was heard complaining about a nagging problem. How could the company tell governments, without causing a storm, that the changing technology and economics of its industry were undermining its ability – and that of many competitors – to remain a "good corporate citizen"?

To be specific, how could it convince seemingly deaf officials that slower market growth, plus the scope for greater cross-border economies of scale within Europe and across the globe, would soon make it impossible for many multinationals to maintain a balance of activities between countries?

Put bluntly, they would soon need to develop products in only one or two European countries, and to make them in just a handful. There would have to be some painful relocations.

Today even the deafest government official is all too aware of the problem. The arrival of the single European market has combined with recession and greater global competition to force company after company to reconfigure its network of activities.

For understandable but misguided reasons, the relocation of existing factory work tends to grab more headlines than the reconfiguration of higher value-added activities – such as *research, design and engineering* – on which future businesses depend.

In the last fortnight there have been several such moves. One of the most widely pnblicised was LIG's transfer of condom manufacture from Britain to Italy and Spain. Moulinex also announced the shift of kettle-making from the UK to its native France.

Bnt the two most significant decisions came from Texas Instruments, the US electronics group, and from Ford.

As part of a "re-engineering" of its operations which involves creating a small number of European "business centres", TI is to shut its long-established plant near London. It also plans to transfer two of its four highest-technology development teams in the UK to Germany and France. A smaller number of engineers will move in the reverse direction to join one of the other UK teams.

Even more sweeping is Ford's merger of its North American and European vehicle operations, which have always worked separately. Europe will become the global product development and management centre for small and medium-sized cars, while America takes the rest.

In one sense the TI and Ford changes are the latest examples of a now standard 1990s phenomenon: the migration of multinationals away from geographic structures towards global ones.

Because of the circumstances of its industry and its corporate history, Ford is a generation ahead of TI and many other companies in this process; it is moving from regional to global, while they shift from national to regional.

Networks of far-flung specialists are supposed to be one of the hallmarks of the modern multinational

But in other ways, the moves by TI and Ford challenge conventional wisdom abont how multinationals should operate.

Take TI first. Other large US multinationals, such as 3M and Hewlett-Packard, have been able to abandon country-based structures without affecting the scope and depth of their operations in major European nations. Units in France, Germany, Italy, the UK and elsewhere have been given regional or global responsibility for particular businesses and product lines. Their manufactnring and prodnct development have been reinforced, not reduced.

Sadly, 3M and HP are in the minority. TI's problem, and that of most other US and European companies, is that their range of activities in Europe is not broad enough, or breakable into sufficiently small units, to be spread evenly across the region. Nor has TI been growing fast enough to emnlate 3M and HP.

But this does nut explain its need to move two teams of engineers out of the UK. The one being moved to Germany was too small to stand alone. But this is not true of the other.

TI says it decided that the British team, which works on digital signal processing for use in multimedia and information highways, should be brought together to create "synergy" with a similar group in France. Nice was the best location, even though it is further than southern England from TI's main European customers.

But why co-locate the groups at all? Why, in these electronic days, could they not be kept in different locations, able to communicate with each other at will?

Given all the complexities of developing new products, co-location is always ideal. Bnt in order to tap skills around the world and to be responsive to market differences, networks of far-flung specialists often have to work together. Such networks are supposed to be one of the hallmarks of the modern multinational.

Which brings us to Ford. Unlike TI, it is retaining, at least for now, its existing Enropean design, development and engineering centres – in Germany and Britain. The financial and political costs of merging them would be high.

But it has admitted in the past that it suffers a cost penalty from having two centres in the same region. Its new global managers will be hunting hard for productivity increases in engineering.

Ford could also decide in a few years' time to shift responsibility for some small cars to Mazda, its Japanese affiliate – a step which was mooted a few years ago.

So, although Ford has always tried harder than most to be a good European corporate citizen, it may yet have to bring itself to concentrate most of its engineering in either Germany or Britain. Other companies – and countries – will be watching with more than a modicum of self-interest its struggle to organise more productively across borders without creating national casualties.

PRIVATISATION IN HUNGARY

In the spring of 1990 free and democratic elections were held in Hungary. The government which came to power at the time was faced with many historic and economic challenges. Of these, one of the most important was to transform the centrally planned economy which had been developed over many decades, to a free market economy. Privatisation has been of crucial importance in achieving this aim: the changing state ownership to private ownership. During the past four years these comprehensive and irreversible processes took place In Hungary.

Privatisation is the most significant means of developing a market economy: by continually increasing the proportion of private ownership in the country, the process is instrumental in establishing an up-to-date, effective economic structure with a wide entrepreneurial middle class in its centre, upon which the social basis of the market economy is based.

Hungarian privatisation, the transferring of the state property into private hands, rests on two fundamental principles. Firstly, it is not possible to acquire property by civic right, and secondly, the process is guided strictly be commercial considerations. The new owners are selected in a regulated framework of competitive tendering. This is the only way of guaranteeing that the Hungarian and foreign individuals and companies who acquire the state assets have not only got the purchasing power, but are in possession of the necessary expertise and capital to operate economically, effectively and in the longer term.

The State Property Agency (Állami Vagyonügynökség) and The State Holding Company (Állami Vagyonkezelő Rt.)

The State Property Agency (SPA) has been established by parliamentary legislation. Its task is to realize state assets; transforming state owned companies into private ones, (by restructuring, economic improvement and other economic organizational measures, prepare them for sale, prepare and invite tenders and guard the integrity of the tendering process). For the interim period, until the state owned companies belonging to the portfolio of the SPA are sold, the Hungarian state has vested the responsibilities of ownership and the exercising of ownership rights into the SPA. The SPA also develops privatisation techniques and methods. During the process it utilizes the services of many expen asset valuation, marketing, broker and consulting companies. The SPA owns various proportions of the restructured state owned companies. It is these state assets which the SPA realizes during the course of the tendering process. It fosters wide ranging international contracts and has an extensive data base as well as a comprehensive information system. It carries out far-reaching publicity and marketing activities.

The State Holding Company (SHC) has been established to handle and sell off part of the assets of those companies in which the state wishes to keep a permanent stake. Its goals, which are also regulated by law, are the following:

- to privatise to tha maximum degree allowed by legislation, the companies it handles.
- to maximize the value of the assets it is managing, while continuing with its strategic activities.
- to pay dividends to its owner, the Republic of Hungary.

The SHC exercises owner's rights by employing commercial procedures. Its primary task is to promote the effectiveness of the responsibilities of the state in those sectors of the economy which are of strategic Imponance. In other words, it aims to ensure the long-term viability of state owned companies. It develops comprehensive strategies for the companies in its portfolio. Its portfolio is defined by government decree which also stipulates the proportion of its ownership which may vary between 5 per cent and 100 per cent. However, in the majority of companies the stipulated share of ownership is 25 per cent plus one vote, or 50 per cent plus one vote. Its remit is to privatise 50 per cent of the total assets in its portfolio with the exception of banking institutions.

Foreign investment in Hungary

According to previous legislation, companies operating with majority foreign participation had to apply for government approval, which meant not only the Minister of Commerce, but also the Minister of Finance. These regulations have been abolished in 1990. Since then, foreigners who wish to establish a commercial enterprise in Hungary do not need any permission whatsoever in respect of the size of the share package they may own. As far as foreign investment is concerned, no exceptions or restrictions apply to any industry.

The year of 1993 was record breaking in attracting foreign capital investment. According to preliminary figures $2.2 thousand million foreign investment has been realized in 1993, while it amounted to only $500m up to 1989, $900m and $1700m in 1990 and 1991 respectively, and also $1700m in 1992. Total foreign investment to date is in excess of $7,000m.

Twenty-nine per cent of foreign investment originates from the United States, 25 per cent from Germany, 12 per cent from Austria, 6 per cent from France and 5 per cent from Italy. Other significant investment has been placed by Japan, the United Kingdom, Sweden and Holland. Compared to previous periods, the increase in the proportion of German investment is outstanding.

Fifty-eight per cent of all foreign investment has been channelled into industry, the most significant proportion into the engineering and food industry, 16 per cent into telecommunications, 7.5 per cent into the hotel, office building and property sector, and 7 per cent each into the financial and commercial sectors. Recent tendencies show that the telecommunications sector has become the most attractive one for foreign investors.

1993 saw the privatisation of the Hungarian Telecommunications Company (MATAV) which yielded a significant $875m revenue for the country.

Future prospects of Hungarian industry

According to economic analysis one of the most important taskt of industry is to catch up, in the shortest possible time, which the developed nations. In order to achieve this aim the structure of industry must, on the one hand, be brought in line with world economic trends and domestic potentially while on the other, and this constitutes the more difficult task, the old industrial structure distoned and blinded by the previous strategy must be eliminated, thus developing comparatively quickly, the new structure which will be competitive in the world economy.

The appraisal of development possibilities reveals that the following areas will, in all probability, be competitive in the longer term:

- **Activities related to the food industry.** E.g. biotechnology, intermediate manufacturing, the food industry, agricultural equipment manufacturing, refrigeration industry, food industry equipment manufacturing and the canning industry.
- **Elements of public health systems.** E.g. the pharmaceutical industry, medical instrument manufacture, design and construction of hospitals rendering complete health institutions, therapeutical equipment and material infrastructure.
- **Certain phases of the aluminium industry**, which relate to the new utilization methods.
- **Vehicle parts manufacture and assembly.** Involving several activities which may promote the development of e.g. vehicle electronics, the leather and synthetic leather industry, the dye/paint industry, and the synthetic material processing industry.
- Also favourable are the prospects of the furniture industry and some other light industries.

BUSINESSES FOR SALE

SUPERIOR COURT OF NEW JERSEY CHANCERY DIVISION, MERCER COUNTY GENERAL EQUITY PART DOCKET NO. C-91-00109

IN THE MATTER OF THE REHABILITATION OF MUTUAL BENEFIT LIFE INSURANCE COMPANY a Mutual Insurance Company of New Jersey.	Civil Action ORDER TO SHOW CAUSE WHY AN ORDER SHOULD NOT BE ENTERED AUTHORIZING AND APPROVING PROPOSED TRANSACTIONS IN CONNECTION WITH A SALE OF COMMON STOCK OF ERNST HOME CENTER, INC.

THIS MATTER having come before the Court upon the application of Andrew J. Karpinski, New Jersey Commissioner of Insurance and Rehabilitatnr of Mutal Benefit Life Insurance Company (the "Rehabilitator"), through his attorneys Deborah T. Portiz, Attorney General of New Jersey, (by Sharon M. Hallanan, DAG) and Special Counsel to the Rehabilitator, Cole, Schotz, Meisel, Forman & Leonard, P.A. and Cadwalader, Wickersham & Taft for entry of an Order to Show Cause Why An Order Should Not Be Entered Authorizing and Approving Proposed Transactions In Connection With A Sale of Common Stock of Ernst Home Center, Inc.; and the Rehabilitator having requested a hearing date for approval of the transactions and related relief; and the Court having read and considered the annexed Certification of Peter A. Martosella, Jr. dated April 29, 1994; and it appearing that it is in the best interest of MBL's estate to schedule a hearing date on the application: and the Court finding that entry of the Order to Show Cause is warranted, and for good cause shown.

It is on this 2nd day of May, 1994,

ORDERED AS FOLLOWS:

(1) All parties oo the annexed Schedule A and any other parties in interest wherever located shall show cause before the Honorable Philip S. Carchman, P.J. Ch., Superior Court of New Jersey, Chancery Divisioo-Mercer County, 210 South Broad Street, 5th Floor, Trenton, New Jersey 08625 on May 24, 1994 at 1.30 pm in the forenoon or as soon thereafter as counsel may be heard why an Order should oot be entered:

(a) approving the initial public offering of newly issued common stock of Ernst Home Center, Inc. and other transactions cootemplated thereby:

(b) authorizing such other and further relief as the Court may deem necessary and proper.

(2) Any person or entity seeking to respond to this Order to Show Cause by filing answering certifications or affidavits and briefs with this Court shall do so no later than May 16, 1994. Such answering papers ohall be filed directly with the Honorable Philip S. Carchman, P.J. CN., Superior Court - Mercer County, 210 South Broad Street, 5th Floor, CN 977, Trenton, New Jersey 08625, accompanied by a filing fee to the Clerk of the Superior Court in the amount of $80. Any person may file a verified application to the Court pursuant to R-1:13-2 to seek a waiver of the court filing fee by reason of poverty. Responding papers on behalf of any corporation ohould be filed by a New Jersey attorney, but motions for appearances pro hac vice may be entertained under R. 1:21-2;

(3) All answering papers filed pursuant to paragraph (2) above shall be simultaneously served upon counsel for the Rehabilitator by delivering one set of papers to Sharon M. Hallanan, Richard J Hughes Justice Complex, CN 117, Trentnn, New Jersey 08625, one set of papers to Gregory M. Petrick, Esq., Cadwalader, Wickersbam & Taft, 100 Maiden Lane, New York, New York 10038 and one set of papers to Gerald H. Gline, Cole, Schotz, Meisel, Forman & Leonard, P.A., 25 Main Street, Hackensack, New Jersey 07601. Any person seeking access to respnnses made by others should contact Francis Pisaoo, Legal Assistant, at (201) 489-3000, who will make the papers filed available for inspection at Cole, Schotz's offices:

(4) The Rehabilitator shall reply to the answering papers received by him oo later than May 20th, 1994, and shall serve that reply upon all counsel or persons who responded pursuant to paragraph (2);

(5) On or before May 6, 1994, the Rehabilitator shall serve a copy of this Order together with the supporting Affidavit, by first class mail to all parties listed on Schedule A, and shall publish a copy of the Order to Show Cause in The Wall Street Journal, The New York Times, Newark Star Ledger, The Courier Post, The Times of Trenton, and Financial Times, such publication to be arranged by Special Counsel to the Rehabilitator;

(6) Any person failing to raise timely objections to this Order to Show Cause shall be forever harred from raising such objections and that in the absence of such objections, the Court may grant the relief requested without further notice or hearing.

Philip S. Carchman, P.J. Ch.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licences to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to Sprint Holding (UK) Limited, WORLDCOM INTERNATIONAL, INC and NORWEB plc.

1. The Secretary of State hereby gives notice:

(a) that he has duly reconsidered the proposals in respect of which he published notices on 20 August and 5 November 1993 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant licences under the Act to Sprint Holding (UK) Limited ("Sprint") and WORLDCOM INTERNATIONAL, INC ("WorldCom") and NORWEB plc ("Norweb") to run telecommunication systems throughout the United Kingdom;

(b) that he has granted such licences ("the Licences") to Sprint, WorldCom and Norweb (together referred to as "the Licensees"), being licences which include conditions such that section 8 of the Act applies to them, thereby making the Licensees eligible to have the telecommunications code contained in Schedule 2 to the Act applied to them under section 10 of the Act;

(c) that he has applied the telecommunications code ("the Code") to Sprint and Norweb throughout the United Kingdom and to WorldCom in London and its vicinity (the area marked on the map attached as an Annex to WorldCom's Licence). The application of the Code to the Licensees is subject to certain conditions and exceptions. The effect of these exceptions and conditions is that the Licensees have duties:

i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;

iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the Licences to the powers under the Code; and

v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

2. The Secretary of State has applied the Code to the Licensees:

(a) because the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licences;

(b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

3. The Secretary of State has granted the Licences because he considers that they will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

4. The Licences have been granted for a period of 25 years in the first instance and are subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licences.

5. Copies of the Licences may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £12.00 (price £10.00 for WorldCom's Licence), postage and packing free.

Miss J M Knight, Department of Trade and Industry
6 May 1994

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re: MUTUAL BENEFIT OVERSEAS, INC., Debtor.	Case No. 93-20134 (NLW) Chapter 11

NOTICE OF (A) ORDER CONFIRMING PLAN OF REORGANIZATION, (B) DISCHARGE OF DEBTOR, (C) CONSUMMATION OF THE PLAN, AND (D) PROCEDURES FOR SUBMISSION OF OLD BONDS FOR OBTAINING DISTRIBUTIONS UNDER THE PLAN

TO ALL CREDITORS, BONDHOLDERS AND OTHER PARTIES IN INTEREST:

NOTICE IS HEREBY GIVEN that, on April 14, 1994 (the "Confirmation Date"), the Bankruptcy Court for the District of New Jersey entered an order (the "Confirmation Order") confirming the Second Amended Joint Plan of Reorganization Proposed By Mutual Benefit Overseas, Inc. and the Official Creditors' Committee, dated March 15, 1994 (the "Plan").

PLEASE TAKE FURTHER NOTICE that, pursuant to the Confirmation Order and sections 1141(d)(1) and 524 of title 11, United States Code, the confirmation of the Plan by the Confirmation Order resulted in the discharge of Mutual Benefit Overseas, Inc. (the "Debtor") from all debts that arose before the date of such confirmation. Accordingly, the commencement or continuation of any action, the employment of process, or any other act to collect, recover, or offset any debt of either the Debtor, as a liability of the Debtor, or the reorganized Debtor or from or against any property of the Debtor or the reorganized Debtor, other than the filing and prosecution of a proof of claim or request for administrative expense payment to participate in the distribution provided for under the Plan in accordance with the Plan, is enjoined, whether or not a proof of claim was filed or deemed filed, whether or not such claim was allowed, whether or not the holder of such claim accepted the Plan, and whether or not the right to payment was reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured.

PLEASE TAKE FURTHER NOTICE that, on April 27, 1994 (the "Effective Date"), the Plan was substantially consummated.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Confirmation Order, holders of bonds (including 9-3/8% Sinking Fund Bonds due February 1, 1996; 9-5/8% Sinking Fund Bonds due February 1, 1998; and Zero Coupon Bonds due February 1, 2006, (the "Bonds" and "Bondholders" respectively)) will be required to submit their Bonds to Marine Midland Bank (the "Distribution Agent") together with a duly executed and completed letter of transmittal (the "Transmittal Letter") which is available from the Distribution Agent, in order to receive their distributions under the Plan.

PLEASE TAKE FURTHER NOTICE that the Distribution Agent will distribute Transmittal Letters to registered holders of Bonds. All Bondholders who hold their Bonds in bearer form or any other party in interest who wishes to receive a Transmittal Letter must request same from the Distribution Agent by contacting Vivian Georges, by telephone at (212) 658-6515, or facsimile at (212) 658-6425.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Confirmation Order, as of the Effective Date, the reorganized Debtor will be known as MBO Properties, Inc.

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Counsel for Debtor and Debtor-in-Possession
131 Madison Avenue
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(RM-1098)

NOTICE

Babets Limited

(Formerly Carroll Radford Holder Limited)

(Registered Number 506178)

On 13 March 1991, the Society of Lloyd'e crystallised its charge over the Insurance Transaction Assets of Babets Limited and I, Raymond Thomas Torner FCA, a Licensed Insolvency Practitioner and Partner in Neville Russell, was appointed by the Society of Lloyd's as Receiver of these Assets.

Any party whn considers that it is nwed insurance monies by Babets Limited, who has nnt already notified me, is required tn notify me with details on or befnre Friday 27 Mey 1994. Failure to make such notification may result in exclusion from any distribution to insurance creditors.

Please write to:
Raymond T. Turner FCA
NEVILLE RUSSELL
Chartered Accountants
246 Bishopsgate, London EC2M 4PB

If you have any queries please contact Mr S Dolphin
Tel: 0245 287162 or Fax: 0245 344387
Neville Russell is a member of Nexia International, a worldwide network of independent accounting firms

LEGAL NOTICES

ALDERSGATE DEVELOPMENTS LIMITED

Registered number [illegible]

Name of business: Property Development

Trade classification: [illegible]

Date of appointment of administrative receivers: 27 April 1994

Name of person appointing administrative receivers: Standard Chartered Bank

N H COOPER AND N BUDDOCK

Joint administrative receivers

(office holder numbers [illegible])

[illegible] City Road, London EC1V [illegible]

WATSON & REFFELL LIMITED AND W & H BAILEY (STRATFORD) LIMITED

Notice is hereby given pursuant to Section 98 of The Insolvency Act 1986 that meetings of the creditors of the above named companies will be held at 7 Kendick Place, London, W1H 3FF on 9th May 1994 at 11.30 am and 12.00 noon respectively for the purposes provided for in the Section 98 et seq.

A list of the names and addresses of the above Companies Creditors can be inspected at offices of Latham Crossley & Davis, Sherlock House, 7 Kendick Place, London, W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meetings of Creditors.

Dated this 29th April 1994
P A REYNOLDS, Director

PETER COLLINS FOODS LIMITED

(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY, on the [illegible] day of May 1994 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and

(b) there has been lodged with us any proxy which the creditor intends to use on his behalf.

Dated the 29 day of April 1994

I JACOB AND N BUDDOCK

Joint administrative receivers

Creditors may obtain a copy of the report, free of charge, on application to the joint administrative receivers at Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY.

PERSONAL

As a computer prepares to play the world's top chess players, **Charles Arthur** assesses its chances

Checkmate by silicon chip

Changes across the board: chess champions such as Garry Kasparov (left) and Nigel Short will increasingly be challenged by computers *Press Association*

On May 20, a rather unnsual chsss player will line up in a hall in Munich alongside professionals such as Garry Kasparov and Nigel Short. Beside five more of the world's top chess players and eight human qualifiers will be a computer.

"It won't win, but it won't come last either," says Fred Friedel about the Fritz3 chess program developed by his Munich-based company, Chessbase. As the third generation of an already successful program, it is now being adapted to run on a personal computer using an Intel Pentium chip running at 100MHz – a contender for the most powerful available PC.

Its preseoce is partly explained by the fact that Intel, as a sponsor of the Professional Chess Association – the breakaway group formed last year to which Kasparov, Short and a number of other professionals now belong – is keen to show off its processor running the software. But Fritz3 is also there on merit: in "blitz" chess, where each player has 25 minutes to play all his moves, its ranking puts it easily among the world's top 20 players.

The increasing power of computers means it might not be long before the world champion in some of the west's best-known games, such as chess and draughts, is made of silicon rather than flesh and blood. "All the programs are better than 99.99 per cent of chess players," says Malcolm Pein, publisher of Chess magazine and a grandmaster. "They're just having tronble with ths last 0.01 per cent. There's about 1,000 of us ont there who are better than them."

Computers are already central to chess professionals' lives: they are used to study openings, to record games, to confirm analysis of complex positions and to provids a huge, cross-refsrenced datsbase of past games as a clue to opponents' strategies. And the sponsorship of Intel of the US, the world's leading computer chip maker, is recognition that after a couple of thousand years chess has become big business. This fact was driven home by last year's live TV coverage in the UK of the PCA's world championship.

"According to the research, 60 per cent of all adults watched at least one of the programmes," says Andrew Finan of the sponsorship company Sports Bureau International. "That blew away all the thinking that it was a niche market." The more detailed profile found that most watchers were ABC1 males (demographics for "well-off middle-class") and aged between 16 and 44. "It is an advertiser's dream market," says Finan. "And it's also Intel's core market." As the biggest chip maker in the world, Intel is now spending more than $1m (£600,000) over each of the next five years to have its name associated with the game.

Sales of chess programs are worth millions each year; every games software house knows that having one in the catalogue is a necessity. The market splits quite equally between players aged from 40 upwards, and those aged about 20.

Chess programs have actually been around longer than computers. The first was written in the 1940s by the mathematical genius Alan Turing, who helped crack the German Enigma code. He realised that deciding between moves could be reduced to a formal process: by trying each move, and each combination of moves following that, and then evaluating the position after those moves (by allotting some numerical value to each – say, +1 point for capturing a pawn, +5 for capturing a rook, +1,000 for checkmate), you could choose between them. Assign the correct values, and you would have an unbeatable program.

Turing's first efforts were laboriously manual, using pencil and paper. But when the first computers were developed, some of the first non-serious applications were chess programs. In the 1970s, a master player, David Levy, set a series of challenge bets that he could beat the best machine versions. He won, before retiring in 1983.

The programs' weakness remains their strictly mathematical approach, say those who beat them. "People have intuition, and the knowledge and plans for hundreds or thousands of positions," says Pein. "They have a mnch keener knowledge of when to give up material for a positional advantage. And when the position is closed, with little chance for tactics, humans are better at manoeuvring so that when it does open np, they will be at an advantage."

Not many humans will be, though. By the official Elo chess rating – awarded to players on their record, such as the quality of the players they beat – today's programs, such as Fritz, Chess Genius or Kasparov'a Gambit are better than almost everyone in the world, even in standard tournament play where players get two or more hours for the first 40 moves. The 6m or so club players worldwide have Elo ratings between 1,200 and 1,900; masters, from 1,700 to 2,000; the 1,340 international masters, from 2,200 to 2,450. The 465 grandmasters rank from 2,400 upwards; Kasparov, at just above 2,800, is officially the best player ever. Fritz2 is ranked at about Elo 2,300, and Pein expects to see a program ranked Elo 2,500 soon.

For would-be writers of chess programs, there are four attractive factors, says Friedel: "It's competitive – you can evalnate claims of whose program is better simply by playing them against each other, which you can't with, say, word processing programs. And there's a lot of literature to guide you; chess openings and endgames have been studied for centuries. It's commercially viable: you can sell what you make. And it's a hard problem to solve – but not too hard. I wouldn't touch go, for example."

Go, an eastern game invented 4,000 years ago, making it about twice as old as chess, is played on a 19 by 19 grid, on which tha players alternately place black and white counters (called stones) to try to surround empty territory. It has only nine rules, fewer than chess, but that very simplicity, coupled with the size of the board, means that at every stage there can be a couple of hundred different moves to choose from.

In draughts the problem is simpler, since only half as many squares are used. In 1992, a program called Chinook – officially the world's second-best player – challenged Marion Tinsley, the world champion since 1954. After 39 games, Tinsley wou 4-2. But Chinook'a developer is now working on an even better version.

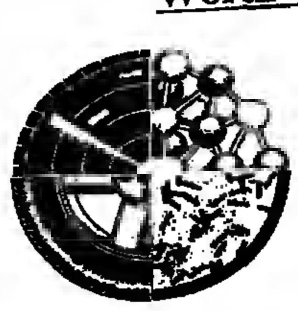
"It's analysing from the endgame backwards, and from the opening forwards," says Friedel, who keeps in touch with such developments. "It's about six moves away from linking up the two ends. And then that will be that. It will be like playing God. You may draw, but you will never win." The program will simply never let itself be drawn into a losing thread of play; it will, in effect, have a map of the entire game. When Tinsley makes the tiniest error he will lose his title.

Could the same ever happen to chess? Kasparov is as dismissive of computers as he is of many of his human rivals. In October 1989, he played and twice defeated Deep Thought, a customised IBM workstation running a chess program; it was the first computer to achieve grandmaster status. Asked what improvements they should make, its programmers were told: "Teach it to resign earlier."

Undaunted, the team is developing the successor, Deep Blue, which will contain Deep Thought shrunk on to a single chip.

So is Kasparov's crown really at risk from a machine? "Probably not," says Friedel. This is the fascination for me."

Worth Watching



On the air, digitally speaking

A programme on working at home ought to be made at home, *writes Claire Gooding.*

So reasoned Peter Day, presenter of BBC Radio Four's In Business, and his editor Stephen Chilcott. A trailbreaking UK programme, to be broadcast on Sunday, has been put together at Day's home in north London, wired by BT with a high-quality ISDN line for voice and computer data.

Intel installed an Apricot Zen-PCm multimedia workstation with Intel ProShare videoconferencing products.

Day's interview with Intel head Andrew Grove (in Seattle) was carried out via the Video System 2000 from Intel, with a screen-mounted camera, allowing users to see each other on the PC screen. Chilcott edited with a British product, the Sadie real-time audio-disk editor, which reproduces a mixing-desk on screen, replacing tape recorders with a PC and mouse.

Sadie sells professional digital editing solutions in competition with US and Japanese vendors. Sadie broadcasters can work at home – or at a desk anywhere – without compromising sound quality, producing full 24-bit digital audio away from a studio.

Intel: UK, 0793 696000. BT ISDN Helpline: UK, 0800 181 514. Sadie: UK, 0353 648888.

Putting clamps on the copycats

A Danish inventor has developed a system to provide a foolproof safeguard against the copying of software programs and the development of computer viruses. It will also supervise networks and prevent accidental, as well as deliberate, copying, *writes Hilary Barnes.*

Hans Jessen says his discovery will mean that copying will become impossible and businesses will be able to prove in court that software has been tampered with. "My invention will give the software producer effective protection technically and legally of the copyright."

The Danish Innovation Centre, part of the Danish Technological Institute, is assisting Jessen to find licensees for his invention.

Danish Innovation: Denmark, 43 504870.

Machine tools measure up

A control system taking into account factors influencing machine tool performance to achieve optimum cutting conditions has been developed by Omat of Jerusalem, *Anna Kochan reports.*

Tests with prototypes show savings of up to 40 per cent can be achieved on machining times and costs, with tool breakage almost eliminated. Designed to work with any type of numerical controller, the Opti-Mil system for milling applications includes software that determines the best cutting conditions from data about the machine, its operational cost, the cutting tool and its material cost, tool changeover time and machine tool depreciation.

Sensors measure the load on the tool and modify the speed and rate of work. Omat will develop systems for turning and drilling, as well as for wood and plastics.

Omat: Israel, 9722 438111.

Faxes on the move

Busy people computing on the move can now send the results by fax. Psion of the UK has launched 3Fax to plug into its Series 3a pocket computer. It says the device – half the size of the 3a palmtop – gives access to E-mail and on-line services as well as sending faxes with logos and signatures.

Faxes can be created in advance and sent, queued or deferred for sending at differeot times when the user reaches a socket. "There's no difficult software to get your bead around," says Psion director Peter Norman.

The 3Fax can pull information from the database for faxing and send to any number in the computerised address list. Price £199.95

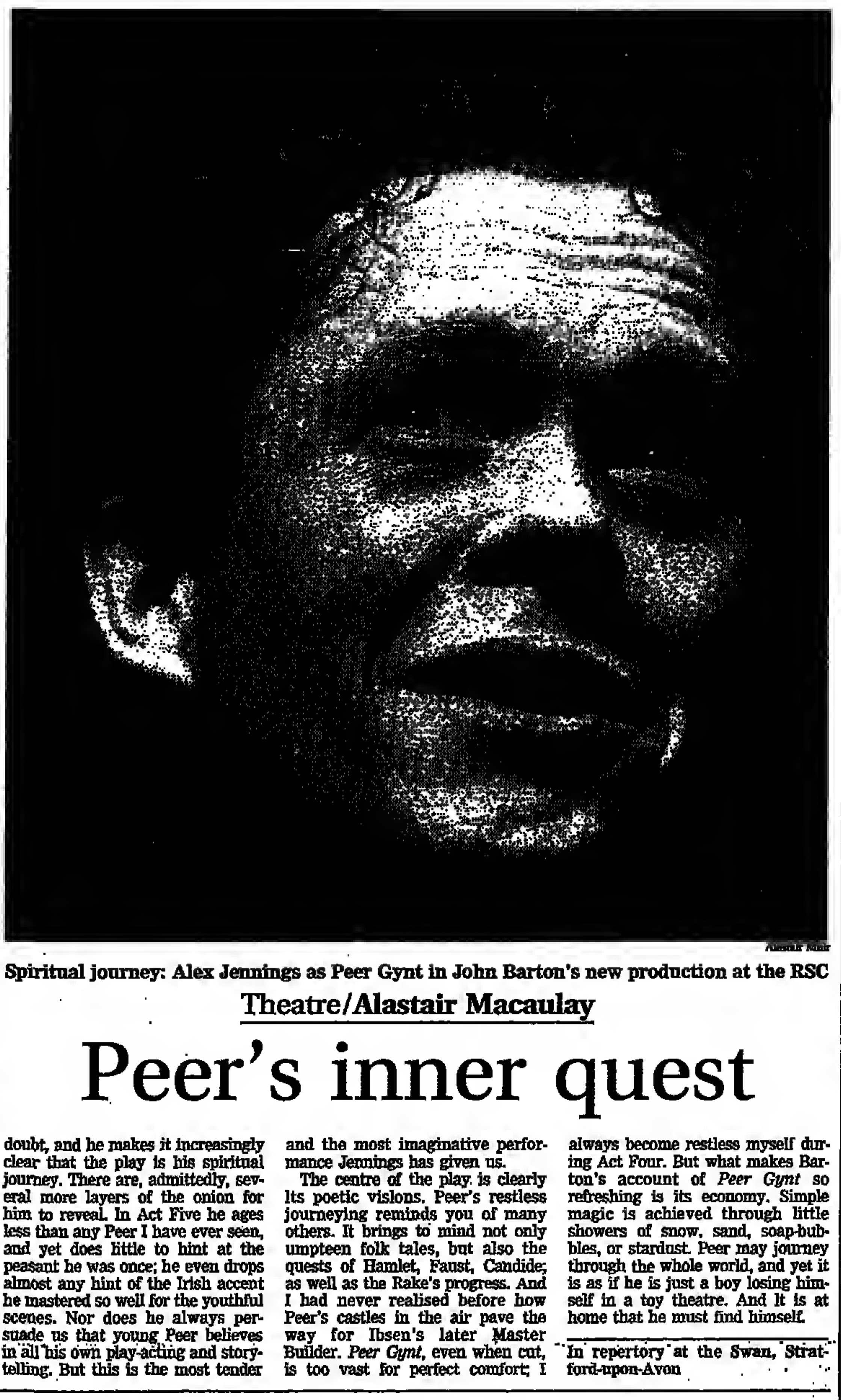
Psion: UK, 071 262 5580.

The political stock market

Yon can trade in most things, bnt few would think of election candidates. York University, however, plans to use the trading instinct to attempt accurate predictions of UK elections.

It is buying computer equipment for a pilot study of the "political stock market" method successfully pioneered by the University of Iowa in the US. Participants buy shares in candidates; these are traded on the computerised market, the prices indicating the vote's outcome.

York University: UK, 0904 433786



Spiritual journey: Alex Jennings as Peer Gynt in John Barton's new production at the RSC

Theatre/Alastair Macaulay

Peer's inner quest

The RSC is now giving John Barton's production of *Peer Gynt*, in Stratford's intimata Swan Theatre, only two months after it co-presented Yukio Ninagawa's touring production in the great big Barbican auditorium. Ninagawa's involved a vast metal box set, painted two-dimensional scenery, and film projections; Barton's has no real scenery at all, just props. Each catches different facets of Ibsen's vision. Watching Barton's (which he first created for Oslo's National Theatre), I sometimes missed the colour, energy, and epic sprawl of Ninagawa's version, and its tremendous central performance by young Michael Sheen. But Ninagawa kept gilding Ibsen's onion with fancy layers of his own, whereas Barton simply peels it and reveals its layers to us.

A certain amount of editorial rearrangement is involved. Barton (adapting C.Fry's version, with lyrics by Adrian Mitchell) has homed in on the beautiful choral lines near the end ("Wa are thoughts. You should have thought us..."), and he adds a prologue of Peer's birth (chorus: "We are the thoughts you must think . . ."), and an epilogue (Peer: "I am the thoughts I made myself shun . . ."). The emphasis is all on Peer's *inner* quest, and some peripheral characters are wholly or partly cut. The Nordic farmfolk are here Irish (as in Ninagawa's); and some of the minor trolls are Scots.

Ibsen's large dramatis personae are enacted by just 11 actors (plus four musicians). The most important stroke lies in casting the same actress – the fine Haydn Gwynne – as both Peer's mother Aase and as his wife Solveig. Though Gwynme distinguishes between the wary old Aase and the trusting young Solveig, she reveals how like they are in their love for Peer; how Aase's mother-love is in fact the preparation for Solveig's wife-love. Ibsen was often ahead of Freud.

The casting of Alfred Burke as both Solveig's father and the Button-Moulder pays equal dividends. The two roles, often unalike, here find many connections, especially since Barton has also found a heretofore unstaged scene in Ibsen's manuscript for Solveig, her father, and Peer.

A role like Peer is just what the marvellously assured and amiable Alex Jennings needed to lever himself out of the rut of harshly debonair young toffs he keeps playing. Alas, he falls right back into it in Act Four, where he hardly hints at the young peasant beneath the sophisticated veneer Peer dons as Sir Peer, then Emperor of Bedlam. Yet in the first three acts he is splendid at Peer's blarney; his voice is softer here, and his face, with its little Petrushka nose and its gaping mouth, looks like a pumpkin.

Jennings's authority is never in doubt, and he makes it increasingly clear that the play is his spiritual journey. There are, admittedly, several more layers of the onion for him to reveal. In Act Five he ages less than any Peer I have ever seen, and yet does little to hint at the peasant he was once; he even drops almost any hint of the Irish accent he mastered so well for the youthful scenes. Nor does he always persuade us that young Peer believes in all his own play-acting and story-telling. But this is the most tender and the most imaginative performance Jennings has given us.

The centre of the play is clearly its poetic visions. Peer's restless journeying reminds you of many others. It brings to mind not only umpteen folk tales, but also the quests of Hamlet, Faust, Candide; as well as the Rake's progress. And I had never realised before how Peer's castles in the air pave the way for Ibsen's later Master Builder. *Peer Gynt*, even when cut, is too vast for perfect comfort; I always become restless myself during Act Four. But what makes Barton's account of *Peer Gynt* so refreshing is its economy. Simple magic is achieved through little showers of snow, sand, soap-bubbles, or stardust. Peer may journey through the whole world, and yet it is as if he is just a boy losing himself in a toy theatre. And it is at home that he must find himself.

In repertory at the Swan, Stratford-upon-Avon

Love's Labour's Lost

As a director Ian Judge is good with lost boys. I remember a haunting *Peter Pan* at the Shaw Festival in Canada, where the twilit gleam of Kensington loomed dream-like through the excitement of Never Land, and the everyday reality of the nursery was glimpsed in forest and pirate lair.

His updated *Love's Labour's Lost* for the RSC, first seen at Stratford in October, has arrived at the Barbican and, placing the action in another Never Never Land, hints that these golden lads too belong to a doomed generation.

Tbe setting is late Edwardian Oxbridge. Distant spires dream; in a neighbouring quad Lord Fancourt Babberley is almost certainly impersonating his chum Charley's aunt from Brazil. More immediately the King of Navarre and his earnest fellow-students (as it were a Rupert Brooke reading party) make their rash vow to forswear such mundane pleasures as female company.

The breaking of that vow and the blossoming of love are depicted gravely, in a production that takes the play more seriously than usual. If the dramatic pulse seems initially sluggish, the idyllic mood is cumulative, and Judge brilliantly makes sense of that awkward conclusion wben the happy ending is postponed after death has suddenly cast its shadow over the high spirits.

John Gunter's sets give us high-backed pub settles festooned with victorious oars and college photographs. The page-boy Moth (Christopher Luscombe) is here a choral scholar; his master, Don Armado, would today be a TV pundit. A whiskery Daniel Massay blends Bernard Shaw with Lytton Strachey and makes a good case for Shakespeare's atrociously facetious word-play being the forerunner of Oxford linguistic philosophy.

Berowne, part cynic, part romantic, is the most interesting of the men. If Jeremy Northam lacks the dazzling ebullience with which Roger Rees skimmed the language on this stage some years ago, he has the intensity the prodnction requires, a fit mate for Abigail McKern's pointed Rosaline. Unexaggerated comedy marks the amateur theatricals. The women have the grace not to join in the men's sneers; but start the laughter at one of the play's most tonching moments, when haughty Don Armado confesses he has no shirt.

Above all, the production triumphs in avoiding familiar traps: mummerset rustics (Costard is a smart young butcher's lad; Jaquenetta does a final number in exotic plumes), and it speeds through the flowery verbosity inspired by the fashionable euphuisms. The wistful palm-court gaiety of Nigel Hess's score is countered by hints of future shock with mock-Muscovite masquers who look like Rasputin. The spires finally disappear from a bleak horizon thet we know contains Paschendael and the Somme; and afternoons will never be so golden again.

Martin Hoyle

An exciting new season for Covent Garden

Nicholas Payne, director of the Royal Opera, has put together an intriguing 1994-95 season at Covent Garden. Richard Eyre, of the National Theatre, directs his first opera, *La traviata;* Jonathan Miller returns to work in the UK with his first Covent Garden production, *Cosi fan tutte;* while Gilbert & Sullivan also make their House debut in the new WNO production of *The Yeomen of the Guard.*

There is also the first new British Ring of the 1990s, starting on October 13 with *Das Rheingold*, with Richard Jones handling the staging; the first Covent Garden production since 1930 of Gounod's *Roméo et Juliette;* and the first ever performance at Covent Garden of Purcell's *King Arthur*.

Throw in a Verdi season in the summer of 1995, with seven productions, (two in concert performance) and inclnding the first Garden playing of *I due Foscari*, and you have an exciting programme. A.T.

Tunnel vision

Marina Benjamin looks at a photographic record of Britain's last days as an island

When the Queen and President Mitterrand officially open the Channel Tunnel today, the ceremony will also mark the culmination of an ambitious photographic project recording the end of Britain's days as an island.

The Cross Channel Photographic Mission, sponsored by South East Arts, is a rich, diverse, and bitter-sweet essay on Britishness drawn from the sum of its parts, its history, street-culture, landscapes, traditions, and self-delusions. Work by a dozen photographers provides a portrait of a nation in limbo, immobilised between the legacy of a heavily mythologised but fast-fading imperial identity, and faced with the necessity of adapting to a new order.

Hew Davies takes as his subject the British neo-colonists who have forsaken Albion for the greener pastures of Nord Pas de Calais – re-christened "south Kent". Davies presents them not as Utopian dreamers chasing a Rousseauesque back-to-nature ideal, but as hard-nosed London yuppies and misfits, who, having conquered the home counties territories, see France as the new frontier. Amidst anglicised pubs, houses and gardens, the emigrants have set up a home from home.

The Royal Festival Hall is showing three Cross Channel commissions under the sub-heading Britannia. Karen Knorr's allegorical Europhiliac tableaux, featuring androgynous figures in wigs and frock-coats, draw inspiration from the Enlightenment. This was an age of cultural exchange, of curiosity and exploration, a time when no gentleman's edncation was complete without a European Grand Tour and wben Samuel Johnson pronounced patriotism to be the last refuge of the scoundrel. Driving the point bome, Knorr has titled her images in English and French.

Such bonhomie, however, was the privilege of a small band of channel-hopping intellectuals, who ignored the old enmities between the nations and prized liberty, equality and fraternity before these ideals were used to justify the guillotine.

Leaving tbe tricky issue of Anglo-French relations aside, Peter Kennard and Paul Trevor choose to focus instead on London. Kennard's wittily-titled and hard-hitting installation, "Welcome to Britain" depicts the bleak side of the metropolis encountered at Waterloo, our cross-Channel starting point.

'Welcome to Britain' by Peter Kennard

Working in collaboration with the poet Peter Reading, Kennard has constructed an edifice of our time from gaudy souvenirs and scavenged urban flotsam, inclnding wooden pallets and scraps of corrugated card – the bricks and mortar of the homeless. Photographic images of forlorn faces, hands and street-signs can be discerned through its dust coating. The hands are particularly evocative: such eloqnent symbols of authorship and manufacture, they are here transformed into the scratching, grasping means of escape. What Kennard has effectively conjured up is the frigbt at the end of the Tunnel.

Paul Trevor's equally gritty work tells a tale of two cities in one. Taking in the square mile occupied by the capital's money market and the street market at Brick Lane, he plays with the notion of neighbours remaining worlds apart. Top cats and underdogs. By getting right up close yet remaining unobserved, Trevor has photographed the passing faces of passing trade. In the City, there are clear complexions, confident jawlines, mobile phones, cigars, pin-strips, handshakes and designer sunglasses; in Brick Lane there are wrinkles, pimples and tattoos, second-hand clothes, cheap make-up, fag-ends and NHS specs. Life – delivered to us in its minutiae – is very different at the two poles of our market economy. And so, by implication, is the inner landscape of the mind.

Where symbols of Empire are depicted at all, they are represented as obsolete relics, part of the furniture of nostalgia. Nonetheless many of the photographers seem prone to a spirit of regret, dwelling on what we stand to lose rather than what we might hope to gain: the "dustman of Europe" looms large while any vision of a potential *nouveau* Britain is sadly absent.

Karen Knorr, Paul Trevor and Peter Kennard at The Royal Festival Hall, until June 5, July 3 and from June 11 to July 10 respectively.

Sponsorship/Antony Thorncroft

Banks head new spending

One of the major players in the extraordinary growth of arts sponsorship over the past decade retired last week: Geoff Shingles, who proved that sponsoring the arts could be good for business when, as chief executive of Digital, he persuaded his board in 1985 to rescue Sadler's Wells with a £150,000 investment.

Shingles then put together Partners in Dance: dance was under-sponsored at the time and Digital could make a big impact with relatively little money. In the last nine years Digital has pumped £5.5m into the arts and reckons it has proved an excellent investment, enabling the company to entertain its 5,000 key customers, and more importantly, potential customers.

Shingles later backed the National Theatre and the Tate and has given computer systems to leadings arts companies, but in recent months Digital has been forced to cut its spending from £500,000 a year to nearer £350,000 and The Digital Dance Awards were axed. But in the autumn Digital will review its position and, if profits are up, will probably raise its budget.

★

Profits have already improved for many companies, especially banks, which means that the 13 per cent fall in sponsorship last year could be quickly reversed.

A few years ago NatWest was spending £1m a year; in 1993 it invested just £100,000, which basically went towards a prize aimed at art school students. But this year NatWest is spending £350,000, and all the signs are that in 1995 its budget will have grown again.

The likelihood is that NatWest will choose to stick with the visual arts. Next week tbe bank announces the winner of its 1994 Art Prize. The winner receives £5,000 but NatWest also buys some of the short listed entries to add to its collection of contemporary art.

Apart from the patronage (and investment) benefits from bolstering the visual arts it is a sponsorship area which suddenly looks sadly neglected. Two of the biggest sponsorships, the Barclay's Prize for graduates and BT's touring exhibition, New Contemporaries, are coming to an end.

★

In the next few months 50 or so managers of small businesses in Birmingham, Bristol and Cardiff will be invited to see a Welsh National Opera production. Putting them on tbe guest list will be KPMG, the management consultancy group, which is masterminding a networking service.

"The idea is that the businessmen will so enjoy themselves that they will form a local syndicate to provide funds, £1,000 each, or even less, to help finance the next WNO visit to their city, and in particular its community work there.

This grass roots form of sponsorship is one of many initiatives anticipated from "Go Opera", the new sponsorship package from KPMG. It is committing £550,000 over three years, distribnted between WNO, Scottish Opera, Opera North and English National Opera. The money will back core activities, like new productions, starting with WNO's first ever Gilbert & Sullivan, *The Yeoman of the Guard*, this Christmas, and followed by Britten's *A Midsummer Night's Dream* at the ENO in 1995. But it will also attempt to widen access to opera.

At the WNO this will consist of creating community operas, workshops, and subsidised tickets; at Opera North cut price tickets for first time opera goers, workshops, discounts for regular attenders, and a new production; family tickets at Scottish Opera, plus a production; and help for the outreach Baylis programme through family days at ENO.

★

West Merchant, London based subsidiary of two German banks, is the latest financial institution to use the arts to drum up business. It is investing £100,000 a year to promote the arts of Latin America in the UK.

West Merchant specialisea in offering potential investors advice on Latin America and is also keen to work for rich South Americans living in Europe. Its first project is this month's Festival of Bahia in London. It has contributed £33,300 and as a first time sponsor has received a snbstantial Business Sponsorship Incentive Scheme back up award from the government.

The final concert, at the Albert Hall on June 1, features four top Bahian singers and a samba band, and will be used to entertain clients wbo earlier attended a business seminar. Without the concert it is douhtful there would heve been sucb a bealthy response. In the autumn West Merchant promotes contemporary Argentinian art at the MoMA, Oxford.

INTERNATIONAL ARTS GUIDE

Dreyfus Centenary

Exactly 100 years ago, Europe was swept by the Dreyfus affair. Alfred Dreyfus, a Jewish officer in the French army, was accused of spying for Germany, tried before a hastily convened military court and condemned to a lengthy prison sentence. Despite evidence proving his innocence, a retrial four years later failed to clear his name. Thanks to a campaign by his wife, friends and influential supporters, he was eventually released and rehabilitated.

The case divided France and unleashed a tide of anti-Semitism, racism and nationalism – some of which finds an uncomfortable echo in Europe today. The lessons of the Dreyfus affair are the subject of a series of centenary events, beginning this month in Berlin with a new opera written by Swiss composer Jost Meier to a libretto by British entrepreneur George Whyte.

The opera is the result of several years of research by Whyte, who has inspired two other works on the Dreyfus affair. They are a ballet with music by Alfred Schnittke and choreography by Valery Panov, to be premiered in Bonn in September, and a musical satire using songs of the period and texts by Emile Zola, who championed Dreyfus' cause. The songs have been orchestrated by Luciano Berio and will be premiered by Ute Lemper in August. The three works will be performed in Basle in October.

The new opera, Dreyfus – The Affair, will receive its world premiere on Sunday at Berlin's Deutsche Oper, with a cast headed by Paul Frey. An exhibition of material related to the Dreyfus affair, including portraits, cartoons and caricatures of the period, can be seen in the theatre foyer, before it tours to other centres.

■ EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Flowers and Plants: a varied survey of representations of flora and fauna in five centuries of prints and drawings, including the superb 17th century Tulip Book by Jacob Marrel and a selection of Japanese woodcuts. Ends July 31. Closed Mon

Van Gogh Museum Pierre Puvis de Chavannes: 150 portraits, still lifes, genre pieces and sketches by the 19th century artist whose murals grace many public buildings in France. Ends May 29. Daily

Stedelijk Museum Joan Jones, Grand Old Lady of Performance: photographs, video tapes, pictures, films and objects. Ends July 17. Photographs by choreographer Hans van Manen. Ends July 17. Daily

BARCELONA

Museu Picasso The Russian Avant-Garde 1905-25. Ends June 26. Closed Mon (Carrer Montcada 15-19)

BERLIN

Museum für Indische Kunst Lost Empire of the Silk Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the 10th to 13th centuries, buried at Khara Khoto under the sands of the Gobi Desert until they were discovered during archaeological research in 1908. Ends July 3. Closed Mon

CHICAGO

Art Institute John James Audubon: 90 large-scale watercolours which the American naturalist artist used as the basis for his Birds of America print series. Ends July 17. Daily

EDINBURGH

National Gallery of Scotland Raphael: The Pursuit of Perfection. The exhibition examines the creative process of one of the great masters of the Italian Renaissance, and is built around three masterpieces and surviving preparatory drawings. Ends July 10. Daily

Scottish National Gallery of Modern Art Medardo Rosso (1858-1928): around 50 sculptures by the Italian who became famous as a master of Impressionism in sculpture. Ends June 26. Daily

FRANKFURT

Deutsches Architekturmuseum Modern Architecture in Germany 1900-1950: Expressionism and the Neue Sachlichkeit. The exhibition, the second of three tracing developments in 20th century German architecture, focuses on the avant-garda architectural utopias of the interwar years. Ends July 3. Closed Mon

GLASGOW

Hunterian Art Gallery Duncan *Shanks (b1937): retrospective* of one of the outstanding landscape painters working in Britain today. Ends June 25. Closed Sun

LEIPZIG

Museum der bildenden Künste Julius Schnorr von Carolsfeld: retrospective of tha early 19th century German painter and illustrator who joined the Nazarener in their decoration of the Casa Massimo in Rome. Ends May 23. Closed Mon

LONDON

Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends Juna 12. Daily (advance booking 071-396 4555)

Hayward Gallery Salvador Dali: The Early Years. Ends May 30. Daily (advance booking 071-928 8800)

Victoria and Albert Museum A new Glass Gallery has opened to display more than 6000 objects, illustrating the history and development of glass during the past four millenia. Daily

MADRID

Centro de Arte Reina Sofia Lucien Freud: a collection of paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Also Joseph Beuys (1921-86): 10 installations, 25 sculptures and 456 drawings by the controversial German artist. Ends June 6. Closed Tues

Fundacion Juan March Isamu Noguchi (1904-88): 58 outdoor sculptures expressing the oriental and western cultural traditions inherited by Noguchi, an American artist of Japanese origin. Ends June 26. Daily

MANTUA

Palazzo Ta Aksel Waldemar Johannessen (1880-1922): the distinguished disciple of Munch was forgotten until recently. This is only the second exhibition of his works, and the first outside Scandinavia. Ends June 19. Closed Mon

MARTIGNY

Fondation Pierre Gianadda Auguste Rodin: 90 drawings and watercolours and 10 sculptures. Ends June 12. Daily

MUNICH

Akademie der schönen Künste The Russian Stage 1900-30: 190 treasures from the Bachrushin Museum in Moscow, comprising theatre designs, figurines and models by Malevich, Lissitsky and others, dating from a time of extraordinary creativity in Russian art. Ends June 26. Closed Mon

Lenbachhaus Between the Brücke and the Blaue Reiter: Expressionist paintings from the Ahler Collection. Ends May 23. Closed Mon

NEW YORK

Museum of Modern Art Frank Lloyd Wright: architectural fragments, full-scale constructions, scale models and 350 original drawings. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three of the Bauhaus artists. Ends May 17. Closed Wed

Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Petrus Christus: 22 paintings by the 15th century Netherlandish master. Ends July 31. Sidney Nolan's Ned Kelly Paintings. Ends July 17. Closed Mon

Guggenheim Museum Frank Lloyd *Wright's Designs for the* Guggenheim Museum. Ends May 20. The main museum is closed on Thurs, tha SoHo site on Tues

PARIS

Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. The Sun and tha Northern Star: paintings, porcelain, furniture and silverware imported by Gustav III of Sweden in an attempt to emulate the splendour of Versailles. Ends June 13. Closed Tues

Musée d'Art Moderne de la Ville de Paris From Van Gogh to Modrian. Ends July 17. Closed Mon (11 ave du President Wilson)

Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms 3000-300BC. Ends May 17. Closed Sun and Mon (34 quai de New York)

Petit Palais Art of the Tainos Sculptors: 85 pre-Columbian masterworks in stone or wood. Ends May 29. Closed Mon

ROME

Villa Farnesina The Chinea and 18th century Architectural Firework Machines: drawings and engravings depicting the annual ceremony in Rome when tha Neapolitan ambassador offered a tribute to the Pope in return for the sovereignty of tha Kingdom of tha Two Sicilies. This was always accompanied by a white horse, known as the Chinea. Ends May 31. Closed Sun

VIENNA

Kunstforum From Chagall to Picasso, Masterworks from the Guggenheim Museum. Ends June 5. Daily

Jüdisches Museum Chagall's Russian Years: 50 oil paintings, watercolours and drawings from the period 1908-20. Ends June 12. Closed Sat

Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, bronzes and ceramics from the Ludwig collection. Ends June 19. Closed Mon

Albertina The Young Kokoschka. Ends May 23. Daily

Künstlerhaus Art and Dictatorship: an exhibition comparing Hitler's, Stalin's and Mussolini's ideas of degenerate art in paintings and sculpture. Ends Aug 15. Daily

Museum für angewandte Kunst Tyranny of Beauty: a study of the wedding-cake architectural style of Stalin's era and the reconstruction of Moscow. Ends July 17. Closed Mon

Kunsthistorisches Museum Isabella d'Este, princess and patron of the Renaissance. Ends May 29. Closed Mon

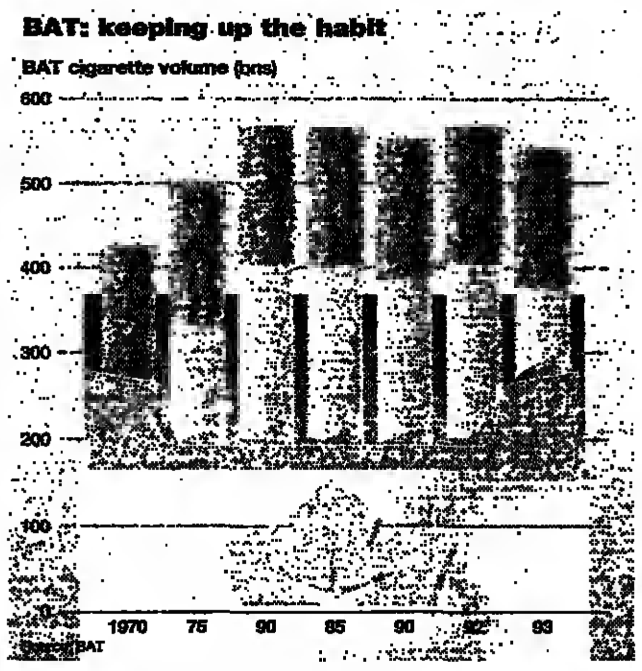
WASHINGTON

National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist, dating from the 1930s to 1980s and ranging from small oils on paper to large canvases. Ends Sep 5. Ruth Benedict Collection: 78 prints and drawings from tha 16th to 20th centuries. Ends June 12. Daily

Going up with smoke

Tony Jackson asks why tobacco is back in favour at BAT

BAT: keeping up the habit



As the shareholders of BAT Industries queue up for their free cigarettes at their annual meeting in London today, they might care to reflect on a curious shift in their company's strategy. BAT is a kind of corporate Jekyll and Hyde: on the one hand, an Anglo-American insurance giant, on the other the free world's second biggest purveyor of ths killer weed, tobacco. For years, Jekyll has been in the ascendant: but as last week's $1bn purchase of American Tobacco suggests, Mr Hyde is not finished yet.

The story of his revival is that of world tobacco as s whole. A decade ago, only a third of the world cigarette market was open to BAT. The rest was accounted for either by China – now a third of the world market on its own – or by state monopolies in countries such as Russia, Japan, France and Italy.

Denied room to expand, BAT started to pour its surplus cash into financial services, beginning with the near-£1bn purchase of Eagle Star Insurance at the end of 1983. But in the mid-1980s, the Japanese market started to open up, followed by Thailand and Taiwan. The Chinese market became slightly less hostile. Then cams the crucial event: the fall of the Berlin wall, which opened up the whole of eastern Europe.

Thus, says Mr Martin Broughton, BAT's chief executive, in the past decade the available market has tripled, most of it happening in the last five years. "When we first moved into financial services," he says, "it was all in the context of seeing tobacco as a cash generator in long-term decline. We never saw it declining as fast as outside pundits, hut we were looking to financial services for growth. Now we have two growth businesses."

The American Tobacco purchase scarcely fits the growth scenario, since the US market, by Broughton's reckoning, has fallen by a steady 2 to 3 per cent a year for many years. More than anything else, the deal amounts to buying cash flow on the cheap. Even so, it is hard to believe that BAT would have contemplated it had its thinking on tobacco not undergone a sea-change in the past few years.

The logic for the deal is simple enough. The two giants of US tobacco, Philip Morris and RJR Nabisco, could not have bought American on anti-trust grounds: and given the anti-smoking climate in the US, anyone not already in the market would he crazy to get involved. As the number three US producer, BAT thus found itself in a buyer's market.

According to Bronghton's sums, he would still hreak even on the deal if consumption fell by 7 per cent a year from now on. This, he argues, is unlikaly on a sustained basis. Even if it did happen, ha says, the deal would buy him time. A combined business selling 80bn cigarettes a year in the US takes longer to become non-viahle than one selling 50bn, as BAT does at present.

Then again, if a 7 per cent fall sounds unthinkabls, it is worth considering the case of Brazil. In its first quarter statement this week, BAT said its Brazilian cigarette volume had fallen by 17 per cent year on year, leading to a loss of several million pounds. Since this is partly dne to such exobic factors as byperinflation and cross-horder smuggling from Paraguay, the comparison is not exact. But it is sobering to reflect that in Brazil, BAT still sells twice as many cigarettes a year – 100bn – as it does in the US.

On a wider front, the Brazilian experience suggests that the brave new world of tobacco may have its awkward aspects. BAT's market share in Brazil is 80 per cent. In Chile it is 97 per cent. In fact, more than half of BAT's cigarette sales worldwide are in the 30 or so countries in which it has more than half the market: countries in which, historically, BAT had the official monopoly. Its hig competitors such as Philip Morris have no such cosy tradition. As world markets open up, BAT has plenty to lose as well as to gain.

Looking further ahead, some of the big old state monopolies have yet to flex their muscles on the world stage. Japan Tobacco, tha former Japanese monopoly company whicb still holds over 80 per cent of its home market, is starting to make headway internationally. But the really terrifying prospect is that one day its Chinese counterpart, tbe Chinese National Tobacco Corporation (CNTC), might do the same.

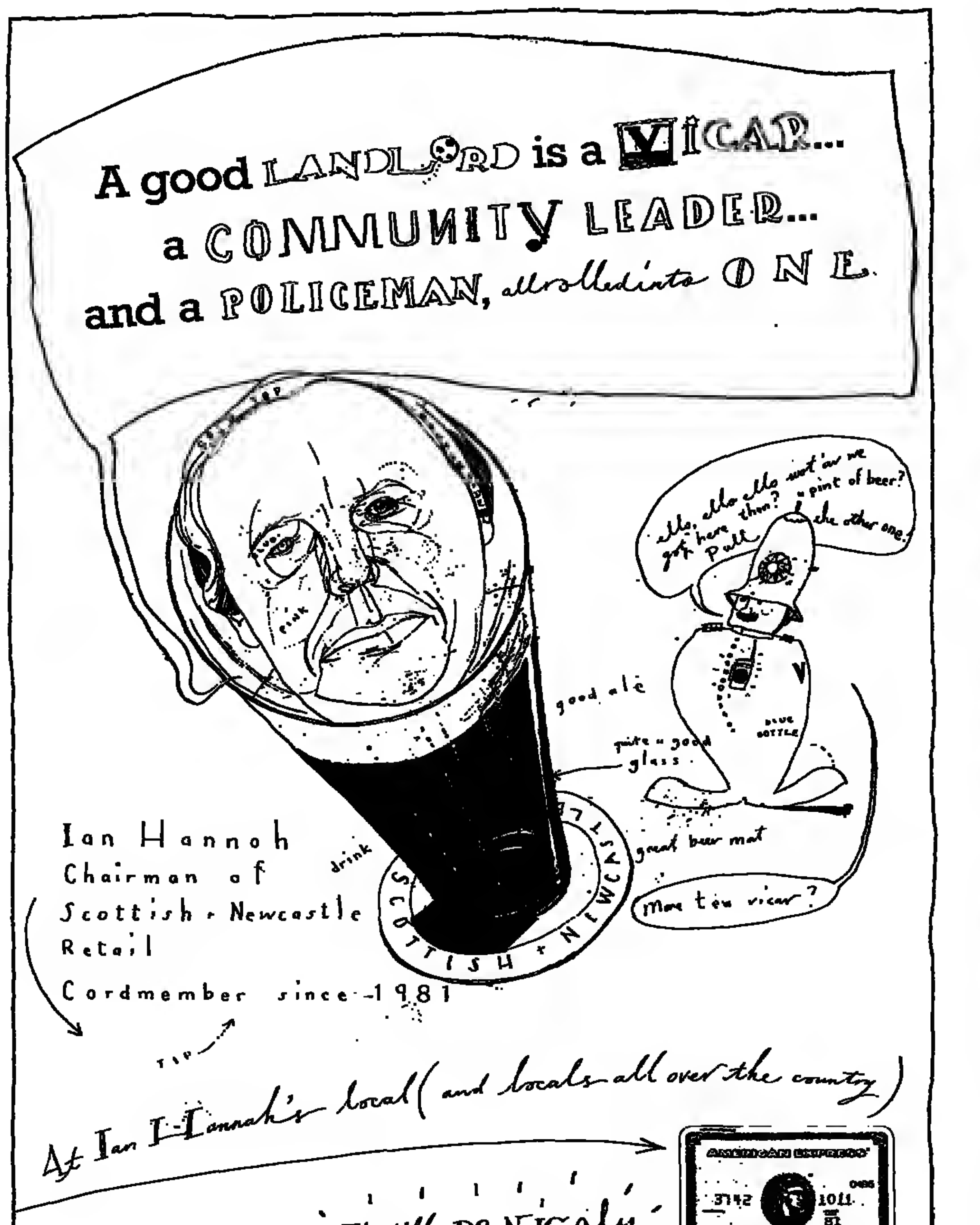
At present, Broughton argues, the pbenomenal growth of the Chinese market must keep CNTC's hands full. "They're growing at a rate of 50bn cigarettes a year," ha says. "That's a pretty damned big factory [each year]." But tha potential of a company whose cigaretta output is roughly equal to that of Philip Morris, BAT, RJR Nsbisco and Rothmans combined is slightly unnerving. "We've developed good relationships with them over the years," Broughton says cautiously. "But we certainly wouldn't suggest we know what they're going to do."

Meanwhile, the battle for the brave new markets continues, particularly against BAT's old adversary Philip Morris. The two maks an interesting match. Philip Morris has 12 per cent of the world market, BAT 10.5 per cent. Philip Morris is much bigger in the US, BAT rather bigger in the rest of the world. BAT has a range of weapons, from its vast experience of international markets to its panoply of local brands. Philip Morris has a single weapon, but a very formidable one: Marlboro, one of the strongest brand names in the world.

"Philip Morris is the most aggressive competitor we have," Broughton says. "They're very active in eastern and central Europe. They appear to use different financial criteria from ours. Ws've had three cases recently where we've been competing head to head to buy a factory [in eastern Europe]. Even in the third one, where we pushed our numbers up a bit, they put in a package three times as high as ours. Either they're right or we are. We don't know yet."

In any case, ths main point is that in tobacco, BAT now has plenty to do. According to Broughton, the outside world was always wrong to see BAT aa wanting to get ont of tobacco. "The cash was available in greater quantities than could be invested in tobacco, since the opportunities weren't there," he says. "Now we have s number of alternative strategies open to us, each of which is viable and sound in its own right. We may not be able to do it all at once, hut having competing opportunities is a position I like."

In other words, BAT's ambitions to buy a European insurance company or a UK building society may or may not come to immediate fruition. At the same time, BAT may or may not buy into the French tobacco monopoly when it is privatised, or grab other such opportunities as they turn up. Hyde and Jekyll, it seems, will have to coexist in the same corporate body for quite a while yet.



Joe Rogaly

Snooker for the voters

The phantom racs for Mr John Major's job is sheer sntertainment. Consider the friskiest three runners. Mr Michael Portillo, the loyal chief secretary to the treasury, has made it plain that he wants to be prime minister when he grows np. We should be safe until the next century.

Mr Michael Heseltine, the loyal president of the board of trade, studiously avoids opportunities to deny that if asked ha would move into No 10 Downing Street. The request had better come soon if he is to get his chance while he is young enough to enjoy it. Mr Kenneth Clarke, the loyal chancellor, delivered the Mais lecture on Wednesday. The what? Never mind. It came across as an advertisement for the candidacy of Clarke, K., willing and able, ready to start tomorrow morning. The talk had the flavour of those "why I think I would be good at this" affirmations commonly found at the tail-end of job applications. It lacked only "... and I know it would be an exciting opportunity..."

These three pretenders differ from one another in age, ideology, experience, subtiety and skill. Fortunately we are spared the task of sifting them ont. When it comes to the essential qualification they are equally deficient. None of them has the stature, the magic, necessary to restore life to ths Conservative coalition, beyond tbe fleeting moments that would follow victory. None is so magnificent that he can be trusted to lead the unleadable. *Mr Portillo*, whose support in the parliamentary party is concentrated within the Europhobic/xenophobic faction, is an unlikely unifier. Mr Heseltine, still unforgiven by some for the downfall of Lady Thatcher, could not both pacify Mr Portillo's platoon and remain true to his previously stated convictions. Mr Clarke, whose Mais lecture is the single visihle piece of serious work he has produced since last November's budget, is a known Europbils and self-confessed spender on welfare.

If the Conservatives had a majority of 100-plus, as Lady Thatcher did, any one of the three could play the game her way. First win the leadership, then, in reshuffle after reshuffle, steadily cull the cabinet of opponents. Those wsre ths days. They are long gone. This year such surgery migbt destroy the Tories, not unify them. A prime minister with a majority of 17 and falling must weigb every decision with extrsme care. This makes steady, efficient administration of the country's affairs extremely difficult. Sackings that did not preserve the balance in the party might render the task impossihle.

Tory assassins should pause. If they force Mr Major out, his successor will be under strong pressure to call a general election

In short, it could be thet whatever the results of yesterday's local election, the prime minister is safer than conventional wisdom suggests. He could even survive beavy defeats in next month's elections to the European parliament. Who knows? Who cares? Whether Mr Major stays or goes has become one of the terminally boring quastions of British politics. The prime minister might bold on, or he might not. Either way, the Conservatives are saddled with the same problem. They must find a way of settling their differences, particularly over Europe. If they do not, they will be unwelcome under any leader – even the loyal Mr Douglas Hurd, wbo is not actively campaigning for the post.

There is a second proposition that should give *potential* Tory assassins pause for thought. If they do force Mr Major out, his successor will be under strong moral pressure to call an immediate general election. This is the position taken, both in public and in private, by Mr John Smith. The leader of the Labour party does not imagine that there *would be a fresb* contest, a re-run of April 1992 which he would win. He merely regards the prospect of taunting a hypothetical new opponent as too good an opportunity to be missed. He is right. A second defenestration of a Conservative leader witbin less than four years would leave the electorate bemused. The Tories' reputation as the natural party of government would be sunk. The legitimacy of the new prime minister would be questioned from the start. The new cabinet would be born destabilised. Labour could pile on the misery. Mr Smith beams when ha pictures the scene.

His motives may not be particularly high-minded, but he does havs a point. A new prime minister appointed by disgruntled Conservatives because they could not unite under the old one *should* seek s fresh mandate for his or her party. This is not a matter of law. It is more important than *that*. It *is* what would feel right. There are plenty of precedents for a change of prime minister within the lifetime of an elected parliament. The voters were not immediately consulted when the then Mr Harold Wilson made way for the then Mr Jim Callaghan. Against that the British constitution is unwritten. It is famously plastic. It is only a slight exaggeration to say that it is wbatever the principal political players choose to make of it at any given time. Their choice is heavily influenced by public opinion.

In the circumstances here envisaged, it would be proper to ask the electorate to endorse the change of prime minister, or choose another. A leadership contest this autumn would, if Mr Major's court is to be believed, be hard-fought. The incumbent would not go easily. The proceedings would necessarily be nasty. The purpose would be self-preservation – the maintenance in office of a deeply unpopular government. Tory MPs with *marginal* seats would be fighting tu save their parliamentary careers. The national interest would not be considered.

This is not to say that we would be better off with Mr Smith. The time to decide about that will come when – if – the Labour leader enlightens us ahout Labour's proposed policies. Indeed, if he does not he migbt get a rude shock. He might force Mr Major's successor to call an early election, and then fall out of history as Labour loses. Unlikely? Try this: Mr Heseltine becomes prime minister in November. *He makes the happy discovery* that the budget deficit is likely to be lower than previous projections indicated. A strong-looking cabinet, a quick tax cut, a promise of a referendum before joining any European single currency, a hrilliant early spring campaign, and Labour could once again be snookered. The Tories would then resume their internal battles, having won themselves a hreathing-space. Only tbe country would lose.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Always time to deal with the trivia

From Mr Bryn Glover.

Sir, Adrian Furnham ("On the road to procrastination", May 4th) ought to reread his Northcote Parkinson. True, the professor observes that the time spent on any item is inversely proportional to the sum of money involved, hut that does not mean that committees handle trivial matters promptly; quite the reverse in fact.

Parkinson gives the example of the company finance committee *members with feelings* of guilty unease that they have just nodded through a multi-million pound redevelopment plan on the strength of a consultant's report which most of them did not really understand. A scheme to replace the cycle shed for a couple of hundred pounds was much easier to grasp, and they settled to a long debate on sizes, materials and numbers of bicycles; each eager to be seen to be making his or her contribution to the process.

Three bours later, having shaved £23.46p off the original estimate, they retlrsd exhausted to the executive dining room, reflecting contentedly on a good morning's worth of top-level decisions, and on the debilitating responsibilities of high office.

These were not decision avoiders, about whom Furnham is writing; these were keen decision takers, restrained only hy their own inadequacies.

Bryn Glover,
14 Wensley View,
Leeds LS7 3QL

A confusing state of Haitian affairs

From Ms Eileen M O'Connor.

Sir, I am a bit confused. Former US President George Bush has suggested to current President Bill Clinton that the US discontinue its efforts to return President Aristide to power in Haiti because he lacks sufficient support there ("Clinton toughens stance against Haitian junta", May 4). He also feels that it would be a mistake to intervene militarily because "no US lives are at risk in Haiti today". Since when has US policy in central/South America aligned itself with the wishes of tha local population? And wben did "US lives" and not "US interests" become the driving force in policy decisions?

Eileen M O'Connor,
20 Edgewood Road,
Glen Ridge, New Jersey,
US

Crest will leave the private investor with crumbs only

From Mr J D Little.

Sir, Kevin Goldstein-Jackson ("Diary of a private investor: Unanswered questions", April 30) details further problems with the proposed Crest share settlement system as far as the private investor is concerned. In this regard it is interesting to note that, buried in appendix III of the task force report is the fact that 67 per cent of bargains hy volume are done hy or for individuals accounting for 14 per cent by value. *The private investor makes a* considerable contribution to the functioning of the market.

I can answer his question on what weight is given to views submitted to the Bank or Treasury – none. After corresponding with both august bodies over a period of four months it was the task force report whicb *finally* indicated why my representations were getting nowhere; Mr Iain Saville, who beads the Crest project at the Bank, was sticking strictly to the recommendations in the report and nothing was going to make him déviate from it.

A long-shot letter I sent to Sir Bryan Carsberg, director-general of fair trading, produced a repiy on his bahalf which reiterated so many of the views expressed hy the Bank that we are unlikely to get any redress from the Office of Fair Trading.

I am afraid the private investor is going to have to accept *the crumbs dropped from the* table of the fat cats. The problem arises because Crest has been designed by and for the convenience of institutions; any so-called concessions to the private investor are a sop to divert criticism until Crest is introduced, when it will be too late to make any changes.

J D Little,
The Hall, 16 Parry's Close
Stoke Bishop,
Bristol BS9 1AW

Euro straitjacket created on works councils

From Mr Zygmunt Tyszkiewicz.

Sir, Mr Bert Thierron reassures us (Letters, April 29) that works councils will neither cost very much nor delay management decisions. However, the 18 sgreements he cites were freely concluded and are therefore tailor-made to suit eacb company's individual needs, thus minimising costs and red tape.

The Commission's lastest draft would force all companies into a rigid, bureaucratic straitjacket which ignores the infinite diversity of company situations. The apparent freedom it gives to negotiate any formula for information and consultation is an illusion; in the event of failure to agree, the minimum conditions in the annexa to the directive are mandatory. The annexe offers no choice. It imposes creation of a central European Committee with attendant rigidities and bureaucracy.

Urged on hy trade unions, workers will take the annexe as a starting point for negotiations, not because it improves information and consultation: on the contrary, it will seriously interfere with many successful existing company information systsms. Unions will insist on the centralised European Committee as a major step towards realising tbslr amhition for pan-Europesn union structures and collective bargaining. This unvoiced ambition has driven this project for 24 years, but cannot be the stated aim of a Commission Directive, since the right of associatton is expressly excluded from the scope of EU competence by Article 2.6 of the "Social Chapter".

Tbe Commission's White Paper rightly blames the rigidity of Europe's labour markets for our failure to create jobs. Yet its draft directive on information and consultation will only add to these rigidities, unless the the annexe is modified so tbat companies and their workers have freedom to devise the formula best suited to their individual needs. No single formula decreed by Brussels can possibly be right for all companies, in all four corners of Europe. The Treaty says a directive "shall be binding as to the results to he achieved . . . but shall leave to the national authorities the choice of form and methods". The present directive fails to respect this requirement.

It is not too late for the Council of Ministers to build the required flexibility into tbis directive, and especially its annexe, thus sending positive signals to those wbo would invest in Europe, while fully satisfying workers' needs for guarantsed information and consultation.

Zygmunt Tyszkiewicz,
secretary general,
UNICE,
rue Joseph II, 40,
B-1040 Brussels, Belgium

Directors must be responsible

From Mr Tony Gamble.

Sir, Mr Ian Brindle's concerns (Letters, May 3) about the unlimited liahilities of auditors would be reduced if the appropriate prosecuting bodies took a tougher approach un directors' liabilities.

For many employees "becoming a director" has no more implications than, say, getting a better company car. For the retired hnsinessman "taking on a few non-executive directorships" is often thought of as a hit *of handy fee income in* excbange for attending the occasional board meeting.

Most such directors have no knowledge of their dubes contained in the Companies Act. They may not even realise that they have personal liability for unpaid company Paye/National Insurance, or to unpaid creditors if the company fails having traded knowingly insolvently. I believe that is because the authorities either turn a blind eye, or are too busy to take proceedings against directors. Most of us have dealt with companics where the dominant director(s) has traded into insolvency and then reappeared, phoenix-like, often in the same area of business. Why, we all ask, are these people allowed to get away with it?

It may be argued that often many (junior) directors are not privy to the information that enables them to know whether the company is trading within the law. On the other hand "ignorance" is not treated as a defence in other legal matters.

A tougher line on those who are elected as "stewards" of the company would encourage them tu be more realistic about their own policing, or be more appreciative *as* to *what they* are asking their auditors to do.

Tony Gamble,
managing director,
Rhinegold Publishing,
241 Shaftsbury Avenue,
London WC2H 8EH

Not at Harrods

From Mr Michael Cole.

Sir, Harrods serves 15,000 cups of coffee a day to the patrons of its 12 restaurants and sells 30,000lb of coffee beans every year to customers of its food halls, but Starbucks does not operate "a coffee kiosk in Harrod's of London", as you report ("The US wakes up to a new aroma", April 30). Nor does Harrods take an apostrophe.

Michael Cole,
director of public affairs,
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Knightsbridge,
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FINANCIAL TIMES

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Friday May 6 1994

All hands to the dollar

Markets are bearish on the dollar. Equally, US policy-makers are unwilling to see the dollar fall further. Both pieces of information are subject to alteration at any moment. But at least the dollar weakness offers a good opportunity to push policy faster in the direction it is – and should be – moving: towards tighter monetary policy in the US and looser policies in Germany and Japan.

It is not impossible to explain why the dollar has been so weak. The problem is, as usual, that there are far too many explanations. This is so even though some explanations can be eliminated quite quickly. Investors are not moving into the yen because of the strength of the Japanese government or, for that matter, the vigour of its recovery. The same is true, if to a lesser degree, for Germany.

Short term interest rate differentials are also not moving in favour of the yen and D-Mark. On the contrary, interest rate differentials on three month money have moved consistently in favour of dollar-denominated securities: by four percentage points vis-a-vis the yen, since the cyclical trough reached in April 1991, and by six percentage points vis a vis the D-Mark since September 1992. These shifts in relative interest rates have been widely expected. It is hardly surprising therefore that conventional wisdom expected the dollar to be strong. Conventional wisdom has been disappointed.

Current accounts

Three explanations for dollar weakness remain: first, that the current account surplus of Japan and deficit of the US are a permanent, if intermittent, source of upward pressure on the yen; second, that the dawn of recovery, however faint, in Japan and continental Europe heralds relatively high returns on real assets; and, finally, that expectations of inflation, even though they have deteriorated everywhere, have deteriorated rather more in the US than in the other major countries.

What is important to note is that the US currency has fallen by 11 per cent against the yen since the beginning of the year, but also by more than 7 per cent against the D-Mark just since February. Dollar weakness is a general, rather than just a bilateral, phenomenon. At the same time, while bond rates have risen everywhere, they have risen more in US dollars than in yen or D-Mark. Since last autumn, the differential against 10 year D-Mark bonds has moved from almost minus one percentage point to plus half a percentage point and against the yen it has moved, over the same period, from one percentage point to more than three percentage points.

These shifts imply not only e marked relative decline to expectations of US inflation, but also a parallel shift in views about the long term performance of the US dollar. Tha currency must be expected to move to offset changes in relative long term interest ratea. Some of that shift has occurred right now.

US policy

It would be foolish for US policy makers to ignore the pessimism. Fortunately Mr Lloyd Bentsen, the Treasury secretary, in justifying recent intervention, announced that the administration "sees no advantage in an undervalued currency". Unfortunately, the administration does not seem to recognise that the very same logic applies to the internal purchasing power of the dollar. What it needs to do is to support the action of the Federal Reserve in raising short term interest rates and so help preserve the credibility of US counter-inflationary policy. Indeed, failing such action, it may be impossible to stabilise the exchange rate.

Yet the unexpected weakness of the dollar has its good side. It has encouraged senior Bundesbank officials, including the president, Mr Hans Tietmeyer, to admit that D-Mark strength is unwelcome. With luck, that will bring forward further needed declines in German short term interest rates. Equally, without a government, the sole policy-maker able to act in Japan is its central bank. Here too aggressive monetary loosening, via exchange market intervention, is justified. It would be helpful if short term interest rates were lowered too. US dollar weakness may be a surprise. It may be unwelcome to most policy makers. But at least it should force the US, Germany and Japan to accelerate the changes they need to maka in their monetary policies.

The tunnel visionaries

The question of Britain's institutional links with the rest of Europe may continue to bedevil its national politics. But from today, the country's geographic relationship with the continent is definitively settled. With the opening of the Channel tunnel, it can never again be truthfully claimed that the UK is not part of Europe. That is a development which deserves to be celebrated, for both symbolic and practical reasons.

Late, over-budget and beset by financial uncertainties though it is, the Anglo-French project marks a milastona in co-operation between two countries accustomed to viewing each other as rivala rather than as natural allies. As an engineering achievement, it represents a triumph of human perseverance over arduous physical and technical obstacles. And as a means of transport, it offers advantages in speed and convenience which promise in time to reshape trade patterns and transform popular attitudes to international travel, above all on the British side of the Channel.

Probably the biggest wonder is the fact that the tunnel has been completed at all. Had it depended on government funding, as originally planned, it would almost certainly not have been built. The halt called in 1975 by the Wilson government – which concluded it could not afford both the tunnel and the Concorde aircraft programme – would have seen to that. The project was rescued only by the decision a decade later by a radical rightwing UK prime minister and a socialist French president to resurrect it as a private sector venture.

Useful example

Private management bas not been a trouble-free solution. Eurotunnel's history has been punctuated by missed deadlines, financial cliffhangers, public sqnabbling and successive increases in total cost. Nonetheless, without the commitment of private capital, notably by the commercial banks, the pressures to ensure accountability, contain cost over-runs and drive the project through to completion would almoat certalnly have been weaker. That commitment has also been a useful example to some other governments about the potential of privately owned national infrastructure.

However, it would be disingenuous to view the venture as a pure experiment in free enterprise, untouched by the hand of government. Much of its financing has depended on state-owned French banks closely linked to centres of political power and, at a crucial juncture, on arm-twisting by the Bank of England. The cost overruns are due partly to government mandated specification changes during construction. And the project's viability hinges on public expenditure on fast rail links, which the UK government at one stage balked at approving.

Further refinancing

Nor is it certain that private capital would have been as readily available if its providers had known at the outset what they know now. As the project'a construction budget has steadily mounted, its revenue forecasts havs been repeatedly downgraded, deferring the prospect of returns. As a consequence, Eurotunnel will soon be obliged to seek further refinancing to replenish its dwindling cash resources.

Why the banks have remained loyal for as long as they have is a moot question. Perhaps it is because they genuinely believe that Eurotunnel will eventually prove a big money spinner – just as the Mont Blanc tunnel did after it was built three decades ago. Or maybe it is because they concluded long ago that it would cost them more to cut their losses by calling in their loans than to stick with ths project to the end.

Either way, it is clear that projects as monumental, as innovative and with as long a lifespan as the Channel tunnel defy the risk and return calculations conventionally employed by providers of private capital. Their achievement involves a blind faith and vainglorious ambition exceptional in business and rarer still in Anglo-Saxon financial markets often accused of excessive short-termism. How far such faith will reap commercial rewards is still impossible to say. But the world is a richer place for this piece of Anglo-French tunnel vision, whose benefits will be counted for generations to come. Eurotunnel has changed the map of Europe for the better.

The ambitions of the European space industry will ride on next month's Ariane 4 mission, writes **Paul Betts**

High stakes at the launch-pad

The countdown bas started for what will be the most important lift-off in the 14-year history of Arianespace, the European satellite launch company that has given Europe leadership in the $2bn a year commercial space transport business.

"It would be a catastrophe if we suffered a second consecutive failure," says Mr Charles Bigot, the chief executive of Arianespace, bluntly.

Since the failure on January 24 of an Ariane 4 rocket with the $350m loss of Turkey's first national satellite, Turksat 1, as well as a European telecommunications satellite, the European consortium has been working round the clock to investigate and modify its rocket to ensure thet the launch at the beginning of next month goes off without a hitch.

The stakes are high. Arianespace must restore confidence among its international customers at a time when competition in the high risk commercial satellite launch business is intensifying. Apart from its traditional US rivals, the European group is facing an increasing challenge from Russia, China and Japan, all seeking to penetrate the western commercial launch market.

New cut-throat price competition coupled with uncertainties about European governments' funding of future European space initiatives, risks undermining the success of the Ariane programme. The project has done for the European space industry what the Airbus consortium achieved in the civil aircraft field: the establishment of a credible competitor to the US dominance of commercial aerospace markets that lasted until the early 1980s.

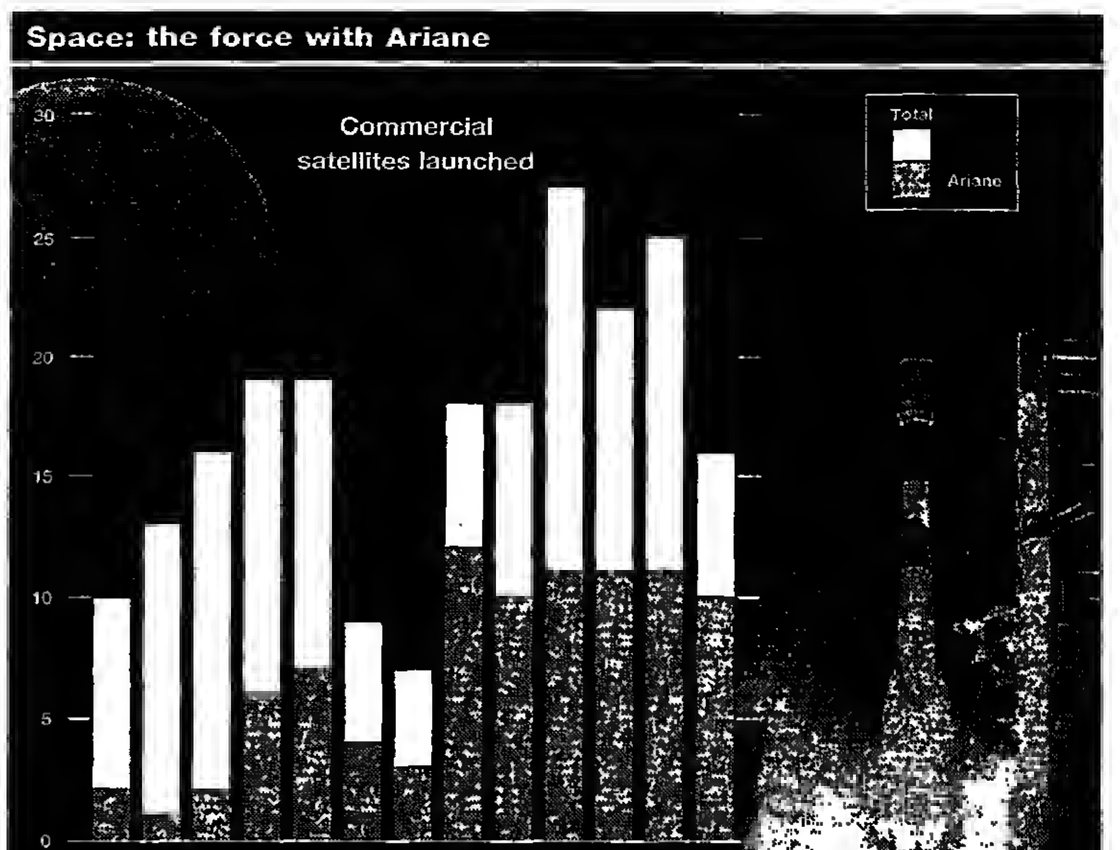
The achievement has been all the more remarkable because Arianespace, 56.6 per cent controlled by French state and private shareholders but also public and privats shareholders from 11 other European countries, was set up when rockets, or expendable launch vehicles (ELVs) as they are known, were widely believed to have become redundant.

The US threw its lot into the development of the space shuttle. But the Europeans considered a manned shuttle too complex a system on which to build a reliable space transport business.

The gamble paid off. The disaster that befell the US shuttle Challenger in 1986 and the long interruption in US shuttle flights vindicated the European decision to concentrate on rocket technology. It also helped Arianespace to capture more than 50 per cent of the commercial satellite launch market.

"It was not just the choice of sticking with ELVs. But Ariane's success was also the fruit of a new concept in space launches," says one French space industry official. "The idea was that not only could launchers be produced and sold like aircraft, but that a comprehensive launch service also had to be offered to the market," he adds, explaining that Arianespace now offers its customers financing facilities, satellite insurance cover and other services.

Until the latest accident, the reliability of Ariane rocket launches had also helped build up international market confidence. Since the first experimental launch in December 1979, there bave been 63 launches, of which six have failed. But since the introduction in 1988 of the bigger Ariane 4 rocket capable of placing more than one satellite into orbit, there have been only two failures: flight 36, which destroyed two Japanese commercial satellites, and the recent flight 63.



Flight 36 failed in February 1990 because a cloth was left in the rocket's cooling system. "It was a stupid accident," concedes Mr Bigot, "but it did not raise questions on the fundamental soundness of the rocket." In contrast, the flight 63 failure was the result of an engine shutdown in the third stage of the rocket after an oxygen pump bearing overheated. "We couldn't simply say it was the fault of a rag or a particle of sand: the explanation of what happened was far more subtle," Mr Bigot adds.

A board of inquiry set up after the accident did not establish a "unique and proven cause" for the failure. It concluded, however, that the engine shutdown was probably due to the conjunction of a late precooling of the liquid oxygen pump bearing and a series of aggravating factors. Modifications have now been made to ensure that the rocket's third stage cryogenic engine is less prone to overheating.

The new modified systems have undergone more than 100 tests at facilities in France and Belgium. Mr Bigot has travelled to the US and Japan to reassure customers who are also kept up to date with weekly company briefings on the latest developments in the Ariane rocket corrective programme.

"We now have the situation well in hand," says Mr Bigot. "It is most important for us to show our customers how we are correcting the system. They would never forgive us if we failed to give top priority to quality and security."

Arianespace is also anxious to resume rocket launches as quickly as possible to meet its existing commitments to place in orbit 39 satellites for a total revenue of about $3bn during ths next three years. Before tha January accident, the company had planned 10 Ariane 4 launches this year at monthly intervals. It is still hoping to meet this target by adjusting its procedures to enable launches every three instead of four weeks from the beginning of next month.

Although Arianespace has continued to win new satellite launch orders since the flight 63 failure, the four-month interruption in its timetable has inevitably had an impact on business, with some potential orders lost to competitors.

The biggest blow was last month's decision by the European Telecommunications Organisation Eutelsat, which consists of 39 European telephone companies, to opt for a US General Dynamics Atlas 2A rocket to launch a television satellite, Hotbird 2, in August 1996.

The telephone consortium claimed it picked the US rocket because there were no slots available at thet time in Arianespace's packed launch manifest for its Ariane 4 rocket. But Arianespace had offered to launch the Hotbird satellite on the first commercial flight of its new Ariane 5 rocket, scheduled for late summer or early autumn of 1996.

The underlying reason for Eutelsat's decision appears to have been its reluctance to be first on Ariane-space's larger and more powerful rocket, which will eventually replace the current family of Ariane 4 rockets, suggests a senior French aerospace official. "It's clearly a snub for Ariane to see a European organisation not committing itself to a rocket programme in which Europe bas invested more than $6bn," he adds.

Arianespace officials describe the Ariane 5 programme as Europe's biggest engineering project after the Channel tunnel with substantial infrastructural investments already completed at Arianespace's launch site in the jungle of French Guiana.

Ariane 5, a two-stage rocket capable of transporting 6 to 7 tonnes of satellite payload compared with 4.5 tonnes on the three-stage Ariane 4, has been designed not only to put heavy satellites into orbit but also to carry manned spacecraft and parts of a planned space station programme being studied jointly by the US and European space industries. Space experts also believe that the two-stage rocket design will provide even greater safety and reliability because most failures have so far involved the third stage of the Ariane rockets.

"Our ambition is to become during the next 30 years not only a satellite launch company but alao Europe's space transport company providing flight services to and from space as well as in space itself," Mr Bigot explains. But with the cuts in Europe's space budget, the immediate challenge for Arianespace is to consolidate its position as leader in the commercial satellite launch market.

To remain competitive, Arianespace must retain at least 50 per cent of the commercial satellite market. "We need a large market share to justify the scale of our investments and maintain competitive operating costs for our rockets," Mr Bigot concedes, adding that the operating costs of the new Ariane 5 rocket will be directly tied to the rocket's annual launch rate.

Achieving this long-term target will depend on the reliability as well as the cost of the European consortium's satellite launch services, compared with rivals.

US competitors have become more aggressive following the failure of the Challenger space shuttle eight years ago and the subsequent decision of the US government to encourage its three US launcher manufacturers (McDonnell Douglas, General Dynamics and Martin Marietta) to compete for commercial business against Ariane.

As for other competitors, Mr Bigot is more worried by the Russians at this stage than the Chinese who are still trailing western manufacturers. He also regards the threat from Japan as a longer-term problem.

In four weeks, the future of Arianespace and the ambitions of the European space industry will ride on the 64th mission of the Ariane 4 rocket carrying an Intelsat telecommunications satellite and two small space technology research vehicles for the British Ministry of Defence.

Space war over eastern sky

Jenny Luesby on the threat from rival satellite launchers

The emergence of Russia, China and Japan as rivals to Europe and the US threatens a glut of satellite launch facilities at a time of falling demand.

With fewer than 20 commercial launch opportunities a year, Europe's Arianespace needs a substantial market share to make its launch facility and rocket development programme viable.

But the going is getting tough for the Europeans and the US. Russia's first commercial launch contract from the west, to launch a satellite for Inmarsat, the international maritime co-operative, was priced at $36m, 30 to 50 per cent less than an equivalent Ariane launch.

The competitive price reflects more than Russia's desire to earn foreign exchange. Its Proton satellite launcher is cheaper than those of its western rivals largely because it puts the satellite into final orbit, rather than requiring boosters on the satellite to fuel the last leg of the journey. Besides saving fuel, this almost doubles the life of the satellite, to 12 years.

Since the Inmarsat deal, the US and Russia have agreed on a quota of eight Russian launches of US-made satellites by 2000, in return for the US granting, for the first time, export licences to American satellite manufacturers. Russia has also agreed to refer to the US for approval any Proton bid that undercuts the lowest western offer by more than 7.5 per cent.

However, the agreement has done little to slow sales of Proton launches, which boast a record of reliability comparable to the market-leading Ariane. A recent joint venture between the US aerospace group Lockheed, Khrunichev, the maker of Proton, and the Russian rcsearch gronp, Energla, announced that since the Inmarsat deal, it has won orders for Proton worth $600m.

The US telecoms group Motorola has booked Proton for the launch of 21 of its satellites for the Iridium communications network. Khrunichev says these orders do not exceed the quota agreed with the US; the Iridium launches will be to low-earth orbit, the quotas only cover launches into the higher geostationary orbit.

But western competitors doubt whether Russia will adhere to the quotas, pointing to the failure of a similar deal between the US and China to prevent undercutting: China consistently offers deals at a discount of about 30 per cent to comparable European prices.

But China's price competitiveness has been undermined by the dubious safety record of its Long March launchers. A planned launch for Australia was aborted in March 1992, while last month the destruction of China's first advanced weather satellite on its final preflight testing further undermined China's ambitions.

The accident has set back China's planned launch of six satellites this year. But with the US deal on Chinese foreign launches due to expire in December and several foreign satellites already booked for Chinese launches over the next decade, China's space ambitions are far from dead.

Meanwhile, Japan's space effort finally achieved the maiden flight of its H-II launcher in February, some two years behind schedule. The H-II's main engine, the LE7, is fnelled with liqnid hydrogen. Although the LE7 has been beset with technical problems, it bas greater potential for higher performance than the more traditional closed combustion engine. However, with launches restricted to just two a year, for environmental reasons, and no commercial customers yet signed np, Japan is unlikely to make an impact on the commercial satellite launching market for some time.

OBSERVER

Battle of the bulge

■ At last Nigerian citizens can get cracking with head of state general Sani Abacha's 'War Against Indiscipline and Corruption'. Due to start in April, it was postponed but not – as unkind wags suggest – because of trouble deciding the identity of the enemy in this odd war.

Still, the war should prove highly popular in some quarters of Lagos. It might persuade the police guarding the federal secretariat to cease doing a brisk trade in parking spaces. It could ease the city's traffic jams, by preventing drivers from queueing to buy scarce fuel – supplied by state monopoly – from illegal roadside hucksters.

It might even reconnect the FT's office telephone. Despite paying the bills on time, it's been disconnected by clerks at the state-owned telephone company Nitel. They say an additional cost is necessary in order to "reconcile the account".

As in, 'reconciled to one's fate'.

Mane stream

■ Gendjim the mystery horse finally surfaced in France yesterday, two months after arriving from the central Asian republic of Turkmenistan, a special gift to president François Mitterrand.

The French media has been whinnying about Gendjim'a non-appearance so the presidential palace gave him a special photo-call at the Parisian barracks of the Republican Guard. Alexandre Gros, a veteran rider and trainer, said Gendjim, a light-bay 7-year-old, had arrived tired and emotional and needed peace and quiet.

He should be getting plenty of that. Mitterrand, 77, does not ride.

Mint condition?

■ The Royal Mint has made a bit of an ass of itself – and produced e mule.

In addition to the £2 base metal coins being struck to commemorate the Bank of England's tercentenary, the Mint decided to produce a limited edition of one thousand 22 carat gold coins.

About 800 had already been dispatched when one eagle-eyed numismatist noticed that the design on the front of the coin differed from that in the marketing literature. It lacked the crucial "Two pounds" legend under the Queen's head.

Apparently the die for a double sovereign (confusingly also worth two pounds, but which has St George and the dragon on the reverse) had been paired with the (correct) reverse of the special Bank commemorative design.

Ergo, a mule, which is two incorrectly associated dies – and a rare enough event to get coin collectors pretty excited. The Mint would like the duff ones back. Sadly, the fact that they are not legal tender is hardly going to bother the punters, who paid £295 apiece for their now distinctly more curious curiosities.

'I want you to take the mickey out of political correctness'

Tight-fisted

■ Still on the subject of tercentenaries, the Bank of Scotland has not yet made up its mind how it should celebrate its big birthday next year.

It may have been founded by the same man who set up the Bank of England – but it doesn't sound as if it will imitate the Bank of England's extravagant partying, with everything from floats at the Lord Mayor's show to a specially commissioned musical by Geoffrey Burgon.

Even so, the board of the Bank of Scotland should at least be able to be a bit more generous than it was at the time of the 250th anniversary in 1945.

Then the staff presented the board with a silver casket which they had to pay for. Indeed, staff members on active service were written to – the only communication they received from the bank during the war – and told that their accounts were automatically being debited to pay for the gesture.

Lost in space

■ When Bill Clinton next visits the UK, his expatriate party loyalists might improve their chances of gaining an audience by changing their name to "Democrats, a broad".

Flushed out?

■ Tut, tut. Is Sir Tim Bell, Lady Thatcher's favourite spin doctor, about to reverse his private PR business into a toilet cubicla maker?

Sir Tim was surprisingly silent when Observer contacted him yesterday about a Daily Mail report that be was planning to use Chartwell, a small Gravesend company, to get his long-rumoured stock market quote. He has grown his Lowe Bell business into Britain's second-biggest PR company in double quick time.

The presence of a few trophy names, such as Lord Carrington and Sir Ronald Grierson, on the letter head of Chime Communications, his parent company, suggest Sir Tim has public ambitions.

But why Chartwell? Its shares were suspended yesterday, pending shareholder approval of a "proposed substantial acquisition". Luke Johnson, a former media analyst at Kleinwort Benson and son of writer Paul Johnson, has a stake in Chartwell and was involved in the successful reverse takeover of PizzaExpress. Hence, the gossip that Sir Tim is about to make a move.

Given the recovery in the media sector – market leader Shandwick's shares have recovered from 2¼p to 53p – there might be a window of opportunity for PR companies to come to market.

But Sir Tim had better be quick.

Socket to me

■ Q: How many people does South Africa'a Independent Electoral Commission need to change a light-bulb?

A: No idea – they're still counting.

FINANCIAL TIMES
Friday May 6 1994

Palestinian police tour Gaza Strip as Israel vows never to return

PLO takes first steps in self-rule

By Julian Ozanne in the Gaza Strip and Mark Nicholson in Cairo

An advance team of Palestinian policemen toured police stations in the Gaza Strip yesterday amid growing fears that the Palestine Liberation Organisation (PLO) would not be able to implement swiftly the self-rule sgreement signed with Israel in Cairo on Wednesday.

Officials from the PLO yesterday denied that it was not ready to assume its new powers under the Gaza-Jericho agreement, as suggested by Mr Yitzhak Rabin, Israel's prime minister. But they said the full deployment of Palestinian police would take at least a week longer than expected.

A party of 17 senior Palestinian police officers were escorted around the coastal Strip in a convoy of heavily-armed Israeli police and army jeeps. Israel also completed its evacuation of the Gaza central prison and continued releasing bundreds of Palestinian prisoners.

Ths PLO said arrival of the first 1,000 police, who should have been in place today, had run into "technical problems" and they would not arrive until next week.

Mr Shimon Peres, Israeli foreign minister, seeking to bolster Israeli support for the peace process, vowed that the Jewish state would never return to the Strip, packed with refugee camps and squalid townships which have been in open revolt against Israel for the past seven years.

"There is no going back. We won't go back to Gaza, Gaza won't come back to us," he said.

However, instead of euphoria the mood of most Palestinians was disappointment and suspicion of Israel's real motives. Three of the best-known Palestinian leaders from the West Bank and Gaza – Mr Haidar Abdel-Shafi, Mr Faisal Husseini and Mrs Hanan Ashrawi – expressed deep reservations. Mr Husseini, PLO boss in the West Bank, said the agreement should not have been signed until all remaining issues were finalised, and Mrs Ashrawi said the accord fell short of Palestinian demands.

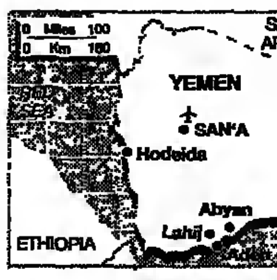
Israelis remained as sceptical as the Palestinians about the peace prospects. An opinion poll published in *Yediot Ahronot*, the tabloid Hebrew newspaper, showed that only 7 per cent of Israelis believed there was a very high chance for peace. Sixty-two per cent said the chances for peace were low or non-existent.

Two radical PLO faction leaders and Syria attacked the agreement as an obstacle to Middle East peace. Mr George Habash, leader of the Marxist Popular Front for the Liberation of Palestine, and Mr Nayef Hawatmeh, leader of the Democratic Front for the Liberation of Palestine, said their fighters would step up attacks against Israel but would initially exclude areas under Palestinian self-rule.

Northern and southern army units battle in streets as jets pound cities

Yemen pushed to brink of civil war

By Our Middle East Staff



Yemen edged closer to civil war yesterday as northern and southern army units battled with each other in the streets and air force jets pounded rival capitals.

Residents in Sanaa, the federal capital located in ths north, said jets struck the international airport and the presidential palace. Explosions rocked the city again later in the day and warplanes drew anti-aircraft fire.

Yemen has been plagued by political rivalry since Marxist South Yemen and tribal, conservative North Yemen merged four years ago to form a republic with a population of 14m.

Differences over power-sharing prevented integration of the armed forces and have led to a power struggls. The crisis mounted last August wben vice-president Ali Salem al Beidh, head of the Yemen Socialist party, left the seat of government in Sanaa and returned to his political base in Aden, capital of the former South Yemen. The latest confrontations erupted last week when the south said one of its brigades in the north had been defeated in s two-day tank battle near Sanaa.

Yesterday the northern-based, government-run Sanaa Radio declared a one-month state of emergency. It ordered all Yemeni citizens to keep off main roads.

As the fighting intensified, France said it would evacuate European Union citizens from Aden.

It was not immediately clear if the explosions in Sanaa were from an air raid by rival southern fighter jets. The anti-aircraft fire continued for 15 minutes and came from the southern and eastern parts of the city.

Clouds of smoke rose yesterday from the vicinity of the presidential palace on the outskirts of Sanaa. A diplomat said southern forces were shelling the compound with artillery. It was not clear if President Ali Abdullah Saleh was inside. There was also shooting on the road to the Red Sea port of Hodeida.

Meanwhile, the southern military command reported that northern aircraft had blasted Aden airport and other districts of the port on Wednesday night. European diplomats in Sanaa also reported northern air attacks on Aden. The southern command'a statement said two raiding jets had been shot down.

Yemen is one of the poorest countries in the Middle East with a modest oil production of about 335,000 barrels a day, of which 140,000 barrels come from the south. Up to 30 foreign oil companies are operating in the main oilfields.

Concern that the strife may endanger the country's exports, along with fresh signs of firm oil demand, fired up a rally in petroleum prices.

London June futures for the benchmark Brent blend of North Sea crude oil traded as high as $15.83 per barrel, up 35 cents from Wednesday's close. New York light crude futures also stood higher by nearly 40 cents at one point in the trading day. Oil companies lifting Yemeni crude said operations were continuing.

Recovery lifts Kohl's poll hopes

By Quentin Peel in Bonn

Mr Helmut Kohl, the German chancellor, appears to have reversed the trend of declining popularity both for himself and his Christian Democratic Union, in line with a series of important indicators of reviving economic activity.

The latest opinion polls show s revival in the fortunes of Mr Kohl and his party for the first time since 1992, while the worsening trend of unemployment also seems to have slowed.

Figures for the capacity utilisation of German industry, published yesterday, confirm the upward trend in the economy indicated this week by statistics for industrial production and industrial orders.

The turn in the fortunes of Mr Kohl and the CDU may well have come too late for the party to avoid further setbacks in the European, state and local elections in June and September, but suggests he may have a chance of hanging on to power in October's general election. It is also looking increasingly likely that Mr Roman Herzog, the candidate of Mr Kohl's party for the German state presidency, will defeat Mr Johannes Rau, the former leader of the Social Democratic party (SPD), in the electoral assembly vote for the position on May 23.

The outcome depends on the votes of the minority Free Democratic party, whose leader, Mr Klaus Kinkel, is inclined to support his current partners in the ruling coalition.

Yesterday's moderately good news on the economy included s slight drop in unemployment – down 93,800 to 3.8m – although on a seasonally adjusted basis, that still amounted to a slight 16,000 increase. Nevertheless, the underlying growth of unemployment – the single most negative factor for Mr Kohl in his election campaign – has clearly slowed.

All predictions hitherto have suggested unemployment would continue to rise through the year, in splte of economic recovery. The latter trend was confirmed by yesterday's capacity utilisation figures published by Ifo, the Munich economic research institute, showing a recovery in March to 80.3 per cent, from 79 per cent the previous December.

Capacity utilisation in German industry reached a peak of more than 90 per cent at the end of 1990, coinciding with the economic boom of unification, according to Ifo, since when it declined steadily until the middle of last year.

The improvement seems to be having a direct effect on Mr Kohl's political rating, with a reversal in the popular view that the SPD would handle the economy better than the CDU. According to Die Welt, the conservstive Berlin-based daily newspaper, 36 per cent of voters now trust the CDU to solve the country's sconomic problems today, compared with 32 per cent for the SPD.

As for absolute levels of voter preference, most polls still put the SPD in front, but with a declining lead.

Respite for $

Continued from Page 1

Steve Hannah, head of research at Industrial Bank of Japan in London, said: "What changes the trend is changes in policy, and intervention is not a policy."

Traders said the Golden Week holiday in Japan – markets were closed from Tuesday to Thursday – had contributed to the success of the intervention as trading was thinner, making it less expensive for central banks to achieve their purpose.

Today, the focus will be on the US employment report. Dealers think that there is a chance the Federal Reserve will raise interest rates to support the US currency and prevent the economy from overheating if the figures sbow unexpectedly strong growth in job creation. Weak figures, however, could throw the dollar into renewed difficulties.

US Treasury prices rose slightly yesterdsy, but gains were limited by concern about ths weak dollar and another possible monetary policy tightening by the Fed.

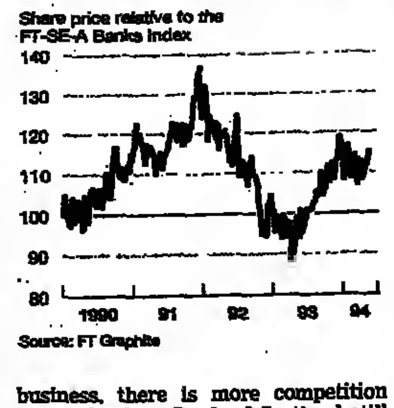
THE LEX COLUMN

BP's rich promise

FT-SE Index: 3106.0 (+35.5)

Bank of Scotland

Share price relative to the FT-SE-A Banks index



Source: FT Graphite

BP has delivered the goods much faster than investors expected. The 19 per cent increase in its dividend is all the more impressive given that it relates to a quarter during which crude prices averaged only $14. Since BP was able to increase profits and pay down $600m of debt in such s tough environment, the board felt it was time to let shareholders have a slice of the action.

Though chief executive Mr David Simon was anxious to deflate expectations that 20 per cent annual dividend increases would now be the norm, there is clearly much more to come. The group is about to kick into the next phase of its restructuring programme, designed to improve operating performance by $1bn a year. Meanwhile, worldwide economic recovery should sharply enhance BP's earnings from the highly cyclical chemicals and refining businesses. Within three or four years, the dividend should be back at the level it was before being halved in the dark days of 1992.

Yesterday's 4 per cent rise in BP's share price, which follows strong support for the stock in recent months, means the scope for further ontperformance is reduced. But judged against its main international peers, the possibility for capital gains has not vanished entirely. Measured as s proportion both of earnings and of gross cash flow, the share price still looks cheap. Moreover, BP's ability to increase earnings is probably somewhat greater than that of its rivals, given that it is still coming slightly from behind. It is only on a yield basis that the shares look expensive. But, with the new dividend policy, that is less of s concern than it was.

Bank of Scotland

Mr Bruce Pattullo of the Bank of Scotland is one of the few bankers who appears to believe that banks should actually lend money. Yet again he has shown that it is possible to increase profits by doing so. Customer advances were up 8 per cent last year; operating profits rose 19 per cent with net interest income up 14. Admittedly, the bank was helped by favourable conditions in the mortgage market where variable rate margins came close to 2 per cent and bad debt problems are relatively small. This year, the act could be harder to repeat.

In general, loan demand remains subdued and, although increased activity in the housing market suggests a plentiful supply of mortgage business, there is more competition among lenders. Bank of Scotland still expects to lend more this year but it may become harder to maintain margins. Those on mortgage lending will certainly narrow if and when base rates rise again. At least the bank is less dependent than the English clearers on dealing profits. A further drop in provisions and non-performing loans sbould compensate to some extent for any margin squeeze.

Still, the time seems to have come for Bank of Scotland to concentrate more on building return. Ii admitted as much yesterday with its reference to greater emphasis on productivity and cost control. Despite the impressive increase in profits, net return on average equity was still only 14 per cent. And the relatively modest dividend increase is a reminder that banks whicb rely on volume for growth bave to keep up a flow of retained earnings.

Wassall

Wassall's acquisition of General Cable appears classic conglomerate strategy. As a partially demerged subsidiary of a US financial services group, General Cable has been neglected by its owners. Capital spending has been falling for three years to a level well below depreciation. An operating margin of less than 0.5 per cent last year leaves plenty of room for improvement. Since Wassall is more than doubling its turnover as a result of the deal, even modest gains in margin will have a big impact on profits. The wonder is that another conglomerate or cable industry rival had not stepped in before.

With 22 US manufacturing sites to work on and a product range covering 10,000 lines, there is scope for rationalisation. That hints at sizeable fair value provisions, though with fresh equity under its belt from yesterday's rights issue, Wassall's balance sheet is unlikely to be stretched even if goodwill write-offs result. The main worry is wbetber it has tbe management resources to swallow such a large morsel without indigestion.

On the strength of its record so far, Wassall probably deserves the benefit of the doubt. Rising US construction orders may make it easier to pass on higher copper prices to customers, which would provide some breathing space. With the shares already on a heady multiple in anticipation of a deal, Wassall has its work cut out to maintain upward momentum. But its first substantial acquisition since September 1991 seems to justify the market's considerable faith.

News Corporation

Investing in News Corporation has always been an act of faith in Mr Rupert Murdoch's strategic vision. Yesterday's mildly disappointing tbird-quarter figures underline the point. Price cuts in UK newspapers and an unexpected write-off in US book publishing were the main reasons for the fall in operating profits from the wholly-owned parts of the empire. Without a timely gain in feature films – Mrs Doubtfire providing a box-office hit – only television would have shown progress over last year.

Against that background, News's status as a growth stock looks a little odd. Even television may suffer next year as Fox Network's investment in American football rights adds to overheads. The main earnings momentum will probably continue to come from associated companies, notably BSkyB and Ansett. It is a credit to News's robust management style that these two have been turned around. But earnings from partially-owned operations might deserve a lower rating. A low tax charge – running at 11 per cent so far this financial year – also argues for caution in valuing the shares. So long as the main planks in Mr Murdoch's strategy are secure, these factors are unlikely to unsettle the market. Investors will reason that a year or two of modest earnings growth is a price worth paying. If News suffers a setback in its long-term ambitions, though, shareholders may start to hunger for jam today.

FT WEATHER GUIDE

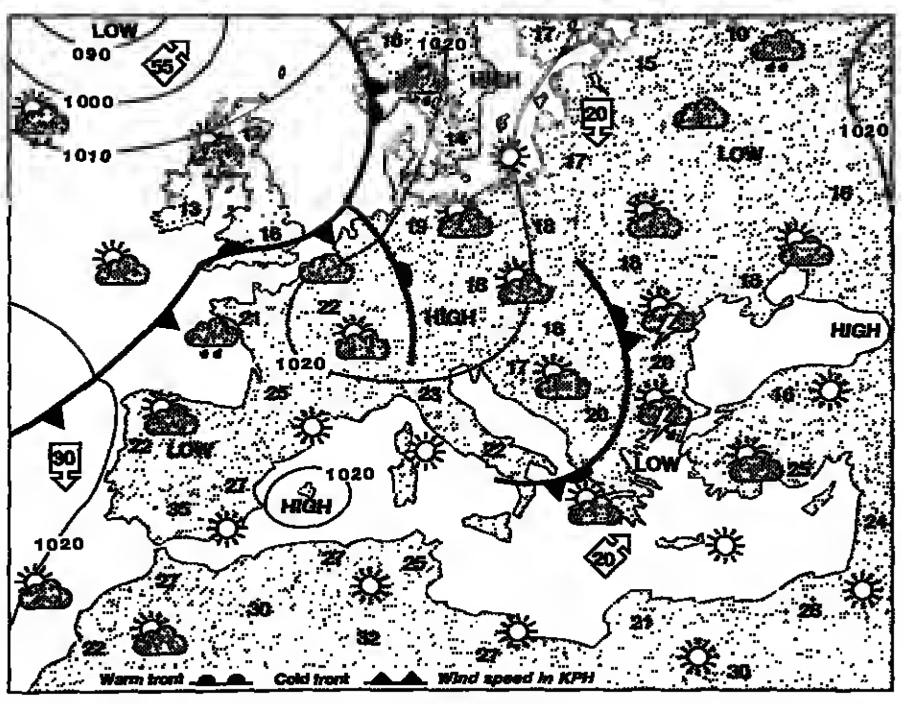
Europe today

Overcast skies and outbreaks of rain will gradually move northward over the British Isles. Southern parts of Sweden and Norway, the Benelux, Germany and northern France will be cloudy but mainly dry. Central and northern Scandinavia, Poland and the Alps will have sunny spells. Sunny intervals will be frequent over southern France. Italy will have abundant sunshine, with the occasional shower likely in the extreme south-east. Under sunny skies, central and southern Spain and Portugal will have maximum temperatures of 30C-35C.

A small depresssion will cause scattered thunder showers over the Balkans and northern Greece. Southern Greece will continue to have sunny spells.

Five-day forecast

The British Isles will have widespread showers during the weekend. Early next week conditions will improve over England and Wales, but Ireland and Scotland will still have rain. Showers will also dampen western and central Europe this weekend. Sunny spells are forecast early next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	shower	32
Algiers	sun	27
Amsterdam	cloudy	16
Athens	fair	23
Atlanta	sun	31
B. Aires	cloudy	26
B.ham	rain	14
Bangkok	fair	37
Barcelona	sun	24
Beijing	cloudy	29
Belfast	fair	13
Belgrade	shower	15
Berlin	fair	15
Bermuda	shower	25
Bogota	shower	20
Bombay	sun	33
Brussels	fair	15
Budapest	fair	16
C.hagen	cloudy	14
Cairo	sun	28
Cape Town	cloudy	17
Caracas	fair	30
Cardiff	rain	12
Casablanca	shower	22
Chicago	fair	17
Cologne	fair	20
D' Salaam	cloudy	30
Dakar	sun	25
Dallas	sun	29
Delhi	fair	39
Dubai	sun	40
Dublin	rain	13
Dubrovnik	thund	20
Edinburgh	shower	14
Faro	sun	26
Frankfurt	fair	21
Geneva	fair	21
Gibraltar	sun	23
Glasgow	shower	13
Hamburg	cloudy	17
Helsinki	fair	17
Hong Kong	fair	28
Honolulu	cloudy	30
Istanbul	thund	15
Jersey	cloudy	14
Karachi	fair	33
Kuwait	fair	32
L. Angeles	cloudy	15
Las Palmas	fair	22
Lima	cloudy	24
Lisbon	sun	25
London	rain	15
Lux.bourg	fair	10
Lyon	fair	23
Madeira	fair	20
Madrid	sun	34
Majorca	sun	26
Malta	sun	22
Manchester	fair	14
Manila	cloudy	35
Melbourne	fair	23
Mexico City	cloudy	25
Miami	fair	31
Milan	sun	23
Montreal	shower	15
Moscow	rain	10
Munich	fair	18
Nairobi	shower	23
Naples	shower	22
Nassau	cloudy	32
New York	fair	18
Nice	sun	20
Nicosia	fair	24
Oslo	rain	15
Paris	fair	21
Perth	cloudy	25
Prague	fair	18
Rangoon	fair	35
Reykjavik	shower	5
Rio	cloudy	25
Rome	sun	22
S. Frsco	fair	15
Seoul	cloudy	17
Singapore	thund	31
Stockholm	fair	16
Strasbourg	fair	21
Sydney	fair	21
Tangier	fair	27
Tel Aviv	fair	25
Tokyo	shower	22
Toronto	shower	15
Vancouver	sun	22
Venice	sun	22
Vienna	fair	17
Warsaw	fair	19
Washington	fair	22
Wellington	fair	16
Winnipeg	sun	18
Zurich	fair	19

FINANCIAL TIMES
COMPANIES & MARKETS
Friday May 6 1994

IN BRIEF

AMB lifts profits to DM85m

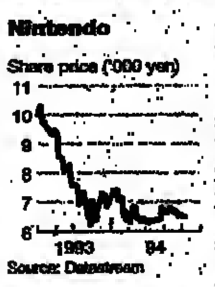
Aachener und Münchener Beteiligungs (AMB), Germany's second-biggest insurance group after Allianz, reported net profits of DM85m ($50m) for last year, up from DM73m. Page 18

Not such a Blockbuster after all
Dead but not buried. That was the epitaph pronounced this week by one Wall Street analyst on the proposed takeover of video retailer Blockbuster Entertainment by Viacom, the film, television and publishing group. Page 19

McDonnell Douglas gets fit
McDonnell Douglas, the US aerospace and defence group, has been building up financial muscle. Page 20

Bank Austria cuts dividend
Bank Austria, the country's largest bank, yesterday reported a sharp rise in operating profits but will pay a reduced dividend of 8 per cent. Page 22

Nintendo suffers in Tokyo



Nintendo, the Japanese leading video game maker, has had a bad time on the Tokyo stock market. Poor sales to Europe, the strengthening of the yen, the lack of new products and increasing competition have hurt earnings, forcing the company to cut initial profit estimates for the business year ended last March. Back Page

End of the line for bulls shopping in China
The first flush of enthusiasm for "China Inc" that was so much in evidence last year has given way to caution.Share prices of the first clutch of Chinese state companies listed in Hong Kong have come under pressure this year. Page 22

Pepkor offers £60m to Brown & Jackson
Pepkor, the South African retailer, is expected today to offer to inject up to £60m into Brown & Jackson, which owns the troubled Poundstretcher chain of discount retailers. Page 24

Body Shop continues recovery
Body Shop International continued its profits recovery; yesterday reporting a rise at the pre-tax level for the year to end-February from £21.5m to £29.7m, more than reversing the decline of the previous 12 months. Page 24

MEPC buys Midlands portfolio
MEPC, the quoted UK property company, has bought a £67m portfolio of office and industrial properties in the Midlands from the Richardson Group, a private property company. Page 26

Co-ops form force in retailing
Co-operative Retail Services, the second largest co-operative retailer in the UK, yesterday launched a new proposal for a merger with the largest, Co-operative Wholesale Society, to create a significant retailing force. Page 26

Ford UK suffers again
Ford of Britain, the leader of the UK new car market, suffered e third successive year of heavy losses in 1993 (excluding Jaguar). Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Heidelb Zem	1375	+	37
Holzmann	887	+	32
Falls			
Kaufhof	529	-	8
Leifheit	800	-	25
Lufthansa	206	-	13.8
Porsche	855	-	30

NEW YORK ($)

Rises			
Chevron	87⅛	+	1
Salomon	50¼	+	2
Sears	49¾	+	1
Texaco	64¼	+	1
Falls			
FPL	31⅞	-	2
Gap Stores	47¾	-	⅝

PARIS (FFr)

Rises			
Accor	728	+	18
Bancaire Comp	571	+	14
Ecco	759	+	23
LVMH	941	+	22
Falls			
Euro RSCG	673	-	14
GTM-Entrepose	452	-	15

Tokyo closed. New York prices at 12.30.

LONDON (Pence)

Rises			
Amours	460	+	39
Argyll	251½	+	13½
BP	399½	+	16½
Barclays	512	+	13
Body Shop	234	+	20
Brooks Service	74	+	6
Enterprise Oil	421	+	11
HSBC (75p shs)	698	+	29
Lloyds Bank	579	+	20
Matthews (B)	107	+	7
Microvitec	37	+	2
Radius	34	+	4
Sainsbury (J)	392½	+	14½
Vendome Uts	452	+	14
Wassall	320	+	18
Wellcome	583	+	13
Whitbread	554	+	16
Wimpey (G)	201	+	10
Falls			
Aminex	57	-	3
BMSS	180	-	5
Reflex	33	-	8
Stobe	598	-	12
Stormight	279	-	10
Superscape	242	-	14

Associates help News Corp rise 28%

By Nikki Tait in Sydney

News Corporation, Mr Rupert Murdoch's media and publishing group, yesterday announced a 27.6 per cent increase in profits after tax but before abnormals, to A$852.8m (US$600m) in the nine months to end-March. Profits in the third quarter alone reached A$227.9m, up from A$178.4m in the same period of the previous year.

But, as in previous quarters, the improvement was due to sharply higher profits from associate companies – BSkyB, the British satellite broadcaster, and Ansett Airlines – and reduced interest charges. (Ansett is 50 per cent owned by News, with TNT, the Australian transportation group, holding the remainder; News also owns 50 per cent of BSkyB, with Pearson, owner of the Financial Times, holding a minority interest.

By contrast, operating profits before tax from News' core operations fell to A$308.7m in the quarter, compared with A$373.4m a year ago. Their operating profits in the first nine months stood at A$1.16bn, down from A$1.24bn. Group revenues were A$2.59bn (from A$2.64bn) in the third quarter, and A$8.42bn (against A$8bn) in the nine months.

News said filmed entertainment, television and TV guide business showed "strong gains" in profitability, but these improvements were offset by lower results from UK newspapers, book publishing and the "free standing inserts" division. Results in 1992-3 were boosted by inclusion of the South China Morning Post, now sold. However, even after edjusting for this, nine-mouth operating profits nudged down from A$1.13bn to A$1.17bn. On the newspaper side, operating profits fell from A$167.9m to A$91.3m in the third quarter, due to the UK price war and SCMP omission. However, News said its strategy of boosting circulation by cover price reductions was being achieved, with the Sun's circulation up by 16 per cent, the Times by a third.

Book-publishing made e A$22.1m loss (from a A$3.6m profit) in the quarter, with News saying that HarperCollins saw higher than anticipated returns, deeper customer discounts and write-off costs related to the "Celebrate Reeding" programme. Magazines and inserts made A$92.5m in operating profits, down from A$113.4m, but television improved from A$55.2m to A$79.7m, and filmed entertainment from A$31.9m to A$61.9m.

Associate companies contributed A$102.4m in the third quarter, compared with A$28.9m. Interest charges dipped from A$180.4m to A$158.3m.

There was a net ebnormal charge of A$5.2m in the third quarter, compared with a A$12.3m profit last year, leaving attributable profits, after tax, at A$222.7m (A$190.7m). The nine-month figure after ebnormals stood at A$991.6m (A$643.5m).

News said BSkyB had 3.4m subscribers – an increase of more than 1m since last June – with more than half the total taking the full premium package.

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Rise in demand helps Electrolux

By Christopher Brown-Humes in Stockholm

Electrolux, the world's leading producer of bousebold appliances, yesterday announced a SKr668m ($84m) profit after financial items for the first quarter following strong US demand and more stable conditions in Europe.

The resnlt, wbicb compares with a SKr122m profit in the same 1993 period, was ahead of expectations, taking the company's B share up SKr6 to SKr429.

The group, which has just finalised a DM730m ($426m) agreement to buy AEG's household appliance division, said operating income rose 88 per cent to SKr1.06bu from SKr563m. Sales were up 11 per cent at SKr26.6bn, helped by e 7 per cent rise in volumes and favourable exchange rate movements.

Electrolux said operating income bad improved in both Europe and Nortb America, belped by restructuring and bigher demand.

However it stressed that the European recovery was patchy, with stronger performances in the UK, Spain and the Nordic region being offset by weakness in Germany, France and Italy.

Honsebold appliances, the biggest division, saw sales rise to SKr15.0bn from SKr13.8bn. Operating income for white goods was "substantially" bigher in both Europe and the US, it said. Results from air conditioners, floor-care, sewing machines and compressors also improved.

The turnround was flattered by the difficulties which Electrolux experienced in its North American and Spanish markets last year.

Restructuring and one-off charges reduced household appliance income by SKr300m in the first quarter of 1993.

Commercial appliances had a more difficult quarter, with sales rising marginally to SKr2.30bn from SKr2.29bn and operating income remaining static. Refrigeration and cleaning equipment both reported lower operating income, bnt industrial laundry equipment improved.

Outdoor prodncts increased operating income as sales rose to SKr4.25bn from SKr3.95bn; there was also a better performance from industrial prodncts wbere sales climbed to SKr5.05bu from SKr3.96bn.

Group net financial expenses fell to SKr391m from SKr441m, due to lower interest rates and a reduction in tied-up capital.

■ Decline in first quarter reflects reduction in capital and currency gains

Rhône-Poulenc sees beginning of an upturn

By John Ridding in Paris

Rhône-Poulenc, the Frencb chemicals and pharmaceuticals group which was privatised last year, reported a sharp fall in first quarter net profits to FFr189m ($32.41m) compared with FFr676m in the first three months of 1993.

Tbe company said that the decline, which contrasted with improved results at other European chemicals groups, largely reflected the sharp reduction in capital gains on the disposal of assets and the absence of currency gains. Both factors lifted profits in the same period last year.

Operating profits slipped by much less than the net result, falling from FFr1.74bn to FFr1.68bn. Sales rose slightly, increasing from FFr19.8bn to FFr20.09m for the three months.

Mr Jean-Rènè Fourtou, chairman, said that the results showed the beginnings of an upturn in sectors sensitive to recession and a stabilisation in the group's healthcare activities. In spite of the improvement, bowever, be said the company did not expect a genuine upturn in the European economy this year.

Organic and inorganic chemicals activities benefited from improved sales, increasing profits to FFr57m from break-even last year despite the continued weakness in prices. The fibres and polymers division recorded strong gains, increasing profits from FFr51m to FFr134m, while speciality chemicals saw profits rise by 22 per cent to FFr179m.

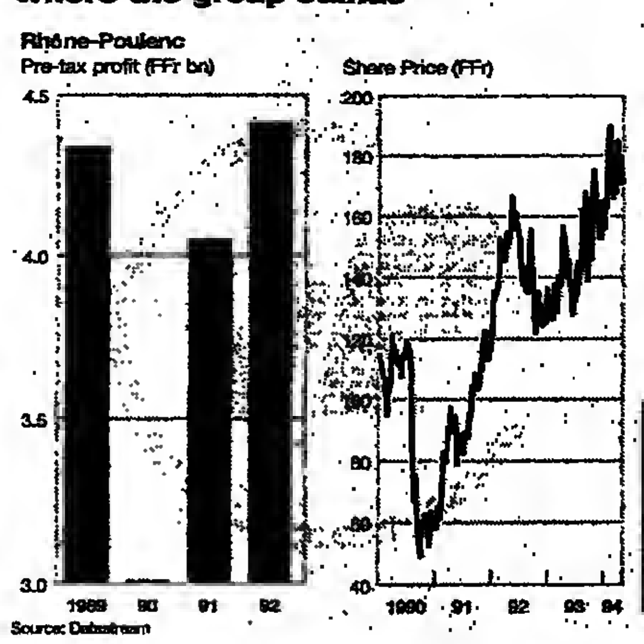
The healthcare division, which includes US based Rhône-Poulenc Rorer, reported slightly higher profits of FFr1.23bn.

The most difficult problems were encountered in the group's agricultural activities, which include herbicides, pesticides and insecticides, and which saw operating profits decline by 29 per cent to FFr343m.

According to Rhône-Poulenc, sales were affected by weather conditions at the beginning of the year in Europe and the US. The company said that the division was on course for improved profits for the full year.

Industry observers said that full year profits for the group as a whole were difficult to predict because of the importance of asset sales. In the first quarter of last year, for example, gains on asset sales amounted to FFr244m, compared with just FFr17m in the comparable period this year.

Where the group stands



Jean René Fourtou

Indonesian telecom to be listed in New York

By Manuela Saragosa in Jakarta

The Indonesian government is to list 25 per cent of PT Indosat, the state-owned telecommunications group, in New York and has hired Merrill Lynch as lead underwriter.

The move, in the form of an issue of American depositary receipts, will introdnce one of Indonesia's largest companies to the international financial community.

It also marks the first time an Indonesian company has listed shares overseas before doing so at home. A further 10 per cent of the company will be listed on the Jakarta Stock Exchange. PT Danareksa Sekuritas will manage the domestic share sale.

Brokers in Jakarta estimate Indosat will raise et least $500m in New York. Indosat's president Mr Tjahjono Soerjodibroto said the share placement would take place in the second half of this year.

Indosat is one of Asia's most profitable companies. In 1992, the company's assets were valued at $890m and the company recorded e net profit of $240m.

No figures are available yet for last year, but the telecommunications company has a healthy track record. Mr Soerjodibroto commented, "We've been among the top five biggest tax payers in the country since 1982."

Indosat, which employs about 1,600 people, recorded net profits of 237bn rupiah in 1992 against 208.5bn rupiah in 1991. Indonesia will invest $10bn over the rest of the decade to expand telecommunications across its archipelago of 14,000 islands.

The decision to list overseas was also prompted by the fact that the Jakarta Stock Exchange limits share prices to 15 times earnings, while Merrill Lynch is believed to have advised Indosat to sell its shares at about 30 times prospective 1994 earnings in New York.

Not everyone is convinced, bowever, that selling shares abroad is Indosat's best option. Some local officials and brokers argue that e larger portion of the shares should be sold in Jakarta to stimulate development of the local stockmarket.

Indosat is the first in e series of Indonesian state-owned companies to seek listings overseas and is likely to be followed up by Garuda, the national airline.

QVC to expand television home shopping into Europe

By Raymond Snoddy

QVC, tbe television bome shopping channel, is planning to expand into continental Europe with the possibility of local language channels in Germany, France and Italy.

Mr William Schereck, president of QVC International and a close associate of QVC executive Mr Barry Diller, said yesterday that talks with potential partners were under way.

"Expect startling announcements within the next six months," said Mr Schereck who is responsible for taking the QVC concept around the world.

QVC has grown to a $1.2bn-a-year revenue business in the US in less than eight years. It was launched in the UK last October and a month later in Mexico.

The company said it bad reached agreement witb tbe Dntcb cable television association to transmit in the Netherlands and will launcb to Norway in June, Denmark in June or July, and Sweden and Belgium by the end of the year.

They will be serviced from the UK to Englisb with the belp of bilingual telephone operators.

Mr Schereck said joint ventures and channels in French, German and Italian were the best way to tackle the biggest markets of Europe. He boped to be able to launch such channels in those countries next year.

Since its launch in the UK, the sbopping cbannel estimates it has reached 4.5 per cent of its potential customers – a faster rate than in the US. There, the channel has signed up only 8 per cent of its potential customer base in eight years.

Mr Schereck confirmed yesterday the UK channel was in line to reach its first year revenue target of £40m ($58.4m).

The QVC channel has also had talks with a UK supermarket group about extending its range of "impulse" buys, which include electrical goods, jewellery and sports equipment, to packages for £30 or £40 of non-perishable supermarket items sucb as cleaning equipment and canned goods.

Already in the UK, the power of showing things on television is having an effect.

QVC bought 500 cooker hood filters, wondering whether anyone would buy them. "We sold 3,500 within two weeks," said Mr Schereck.

BP increases dividend 20%

By Robert Corzine in London

British Petroleum yesterday capped its return to robust health with a 20 per cent rise in its first quarter dividend to 2.5 pence a share. It was tba first such increase since 1992, when structural weaknesses and mounting debt caused it to cut the payout to shareholders.

Investors welcomed the the signal of confidence, and BP shares rose 16½p to close at 399½p.

Mr David Simon, chief executive, said the BP board was confident the company could operate profitably even with relatively low oil prices. "It was tha right time to share some of the benefits" of BP's cost-cutting, he said.

The company warned investors not to expect the same pace of dividand growth, although it "intends to grow the dividend progressively".

The first quarter results exceeded analysts' expectations. Replacement cost net profits before exceptional items were £305m, 32 per cent np on the £231m in the first quarter of 1993. Earnings per share were 5.6p (4.3p). After an exceptional gain of £23m (£18m a year earlier), net profits were £328m (£249m).

The company attributed the performance to success at cutting costs, higher production volumes and wider refining margins in the US. The chemicals division returned to profit after 18 months.

It was the third successive quarter in which BP was cash positive excluding proceeds from divestments. Net cash inflow excluding disposals was £342m, although the average North Sea oil price in the first quarter was $13.92, 25 per cent lower than in 1993.

Analysts say BP's ability to generate large amounts of cash at low oil prices probably persuaded the board it was safe to raise the dividend, even though the company has not met all the targets it set when it cut the dividend. These were: capital expenditure of $5bn a year or less; annual debt reduction of $1bn or more; and $2bn in replacement cost profits.

Mr Simon said debt now stands at $11.8bn (down $593m in the quarter), its lowest level since 1988. About $400m has been raised from disposals so far this year, with $1bn-$1.5bn expected for the full year. That would bring full-year gearing down to 66 per cent, according to company officials.

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INTERNATIONAL COMPANIES AND FINANCE

Barclays chiefs criticised by shareholders at AGM

By John Gapper, Banking Editor

Sir Denys Henderson, chairman of ICI and Zeneca, stepped into the breach to defend the chairman and chief executive of Barclays against attacks from hostile shareholders at the bank's annual general meeting yesterday.

Sir Denys, a non-executive director of the UK's biggest bank and chairman of its remuneration committee, praised the performances of Mr Andrew Buxton and Mr Martin Taylor amid heated criticism of the bank's directors.

Much of the antagonism at the two-and-a-half hour meeting came from members of a pressure group called the Struggle Against Financial Exploitation (Safe), founded by unhappy customers of Barclays who bought shares to attend.

There was strong criticism of the bank for paying Mr David Band, chief executive of its BZW investment banking arm, £1.4m last year and for giving Mr Buxton a basic salary of £850,000 this year and Mr Taylor a package worth £737,500.

"We are talking very large telephone numbers, and I can understand why yon might think they are excessive," said Sir Denys, who led last year's search for a chief executive.

Barclays appointed Mr Taylor, who became chief executive in January. "Of course he has got to earn it now. We will be looking very carefully, and I have no doubt that ha will fully repay our confidence in him," said Sir Denys.

Sir Denys told shareholders that Mr Buxton, who split the roles of chairman and chief exectntive after Barclays lost £242m in 1992 had faced "a hell of a battering from people all over the place, and has done it with courtesy and grace".

Mr Buxton was forced to demonstrate that courtasy under acrimonious attack yesterday, with shareholders amploying a variety of colourful metaphors to amphasise their contempt for the bank's performance and treatment of customers.

Ona shareholder compared Barclays with a football team which had responded to relegation by recruiting "a synchronised swimming coach" in the form of Mr Taylor, a former chairman of Courtaulds Textiles and ex-Financial Times journalist.

But Mr Buxton was praised by one shareholder, Mr Granville Whitehead, who told him he was "by far the handsomest man on the platform".

Mr Whitehead said that he had spent the meeting sketching Mr Buxton and the "ugly ducklings" around him.

Bank of Scotland doubles pre-tax profits for year

By John Gapper, Banking Editor

Bank of Scotland yesterday affirmed its interest in buying a building society to improve its deposit base, as it disclosed it had more than donbled annual pre-tax profits, to £268.7m ($404m) against £125.3m last time.

Mr Bruce Pattullo, governor, said it was among banks examining the possibility of buying a society. However, it was not involved in discussions at the moment, and was unsure about the benefits of a purchase.

Mr Pattullo said that in contrast to Lloyds' proposed £1.8bn purchase of Cheltenham & Gloucester Building Society, the bank believed the main advantage would he the strengthening of its balance sheet through increased deposits.

The bank, which a year ago set a target limit of 5 per cent asset growth for the year to February 28 to maintain capital ratios, said assets had grown hy 6 per cent as it expanded its market share of bank lending.

Operating profits before provisions for bad and doubtful debts rose 19 per cent to £580.2m, against £487.9m. The specific provisions charge fell 22 per cent to £283.8m, which Mr Pattullo said was "less than we would have liked".

General provisions for anticipated bad debts which have not haen identified were increased by £30.1m, including a £20.1m charge. Mr Pattullo said this was for reasons of prudence, and "not in order to smooth profits".

The main upset was at its Bank of Wales subsidiary, which recorded a pre-tax loss of £4.8m because of problems at its motor finance arm. Mr Pattullo said it had found further bad debts after changing provisioning methods.

Margins rose, helped by a £500m increase, to £5.4bn, in its mortgage portfolio, and more high-margin personal lending. The bank's liabilities were strengthened by a rise in funds held in customer accounts for the first time in eight years.

Fee and commission income, an area in which the bank has been regarded as weak, increased by 15 per cent to £282.6m. Some £147m of this came from fees and commissions income from branches, which rose 52 per cent.

The tier 1 ratio of core capital to risk-weighted assets remained at 5.8 per cent in spite of the asset growth, and a 10.5 per cent increase in the dividend to 5.05p, against 4.57p. This figure includes a proposed final dividend of 3.18p.

Operating costs rose 4 per cent to £361.7m, against £346.1m, although the ratio of costs to income fell to 48.6 per cent from 50.6 per cent. Staff numbers have fallan 10 per cent from their 1989 peak through natural wastage.

Mr Pattullo said internal generation of capital meant the bank would be able "comfortably" to finance asset growth of up to 10 per cent this year. in London, the bank's shares closed 5p up at 188p.

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Wassall shares gain with $269.8m purchase

By David Wighton in London

Wassall, the UK conglomerate which lost the bid battla for Evode last year, has clinched its first deal since 1991 with the $269.8m acquisition of General Cable in the US. The proposed purchase is being partly funded by a £92.2m ($139m) rights issue.

London investors, who have waited for Wassall to make its move, immediately gave their approval and the shares rose 18p to a new high of 320p.

The purchase of General Cable, which makes power, communications and consumer prodnct cables, will more than double Wassall's turnover and increase US sales to more than three-quarters of the total.

Mr Chris Miller, chief executive, said: "We are consciously taking a bet on America."

Mr Miller said General Cable was an ideal target for Wassall, as it had suffered from under-investment and performed poorly relative to its competition. It barely broke even on sales of $763m (£510m) last year.

The main vendor is American Premier Underwriters, formerly The Penn Central Corporation, a financial service group which partly demerged General Cable in 1992. "It is just the sort of owner you like to buy from," said Mr Miller who described General Cable as "a corporate orphan".

The bulk of the consideration covers the purchase for $169.8m, a 30 per cent discount, of a loan note issued by General Cable to its parent. Wassall is paying an additional $34.5m for APU's 54 per cent of the ordinary shares and has made a $38.1m tender offer for the remainder which are traded on Nasdaq.

Mr Paul Beaufrere, an analyst at James Capel, said he expected the deal to be neutral at worst for Wassall's earnings this year and that next year there should be "significant enhancement".

On a pro forma basis the enlarged group would have had gearing of 18 per cent at the end of next year. The terms of the rights issue are one-for-four at 250p.

AMB ahead despite Spanish losses

By David Waller in Frankfurt

Aachener und Münchener Beteiligungs (AMB), Germany's second-biggest insurance gronp after Allianz, reported net profits of DM85m ($50m) for last year, up from DM73m.

The increase was achieved in spite of a sharp fall in operating profits from mainstream insurance activities. These fell to DM147m from DM289m. They were hit hy a number of factors, including large losses at the two Spanish subsidiaries.

The group has been in the throes of an intense reorganisation over the past year. The most important move was the sale of a majority interest in the BfG Bank to Crédit Lyonnais, the French bank, concluded at the end of 1992.

After years of losses, tha group benefited from a special dividend of DM24.6m last year as part of the terms of the sale.

Total unconsolidated premium income for the group was DM14.4bn, up 8.8 per cent. Pre-tax profits from continuing businesses fell to DM105.5m from DM111.3m, while tha dividend for 1993 will be unchanged at DM14 a share.

AMB predicted that the 1994 result would at least match 1993, in spite of the long-awaited liberalisation of the German insurance market this summer.

The aim is to take premium income up to DM15.5bn in the current year.

Mr Wolfgang Kaske, chief executive, said the group had implemented a wide-ranging rationalisation ahead of the opening up of the domestic insurance market under European Union legislation on July 1.

He predicted competition would gradually increase in the German market over the next few years.

This would be reflected in new products and pressure on prices, olthough he said the initial impact of the changes would be limited.

It has being tidying up its group structure, acquiring majority control of the numerous satellite companies in the AMB orbit.

For example, the group has taken its holding in Volksfürsorge, a large German insurance company, to 75 per cent from 50 per cent.

AGF, the French insurance group, owns 33 per cent of AMB, balanced by a block of shares owned by large German institutions auch as Dresdner Bank.

Turnround at Avesta Sheffield

By Christopher Brown-Humes in Stockholm

Avesta Sheffield, the Swedish-British stainless steel producer, yesterday struck an optimistic note about prospects in 1994 after a strong recovery in the first quarter.

The group, which is 40 per cent owned by British Steel, made a SKr111m ($14m) profit after financial items, compared with a SKr43m loss in the same 1993 quarter. The loss for the whole of last year totalled SKr98m.

It said the performance had benefited from higher demand, cost-cutting and changes to inventory prices.

Mr Per Molin, president, said the improved profits level was expected to be maintained over the rest of the year, against a background of general economic recovery in the western world.

Ha forecast a continued npturn in demand for the group's products, but warned it might not be at the same rate as in the first quarter because of restocking.

He noted that prices were recovering but "they have not yet reached a satisfactory level and are still below 1993 average levels".

Demand for the group's main products, cold rolled sheet and plate, rose strongly in early 1994. Together with tha weaker krona, the trend enabled the group to lift sales to SKr3.98bn from SKr3.49bn.

Sales of cold rolled sheet and plate rose to SKr2.04bn from SKr1.80bn but the division tumbled to a SKr6m loss from a SKr27m profit because prices were lower. A recovery is expected over the rest of the year.

The group's hot rolled plate division achieved a SKr45m profit after last year's SKr18m loss, as turnover climhed to SKr635m from SKr587m.

Avesta, which was formed in late 1992 from a merger between Avesta and the stainless steel interests of British Steel, recently approved a SKr592.5m rights issue.

It plans to invest more than SKr1bn over the next three years.

Philips agrees to buy AEG lighting unit

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics manufacturer whicb and the world's largest producer of light bulbs, has agreed to buy AEG Lichttechnik, a lighting engineering company, from AEG of Germany.

The Dutch company declined to reveal the purchase price, hut said AEG Lichttechnik was profitahle and had generated sales of nearly DM300m ($174m) last year.

"Philips Lighting considers the acquisition essential for its position in Scandinavia and in the main European lighting market, Germany," it said. The transaction reflects the desire of AEG, part of the Daimler-Benz group, to concentrate on its core electronics activities.

AEG Lichttechnik, which focuses mainly on professional lighting equipment, has a plant near Hanover in Germany and a subsidiary in Finland, Idman Oy, which operates a factory in Mantsala.

The company has a total workforce of 1,200.

Philips said the AEG business would continue to use its own brand names and would operate in parallel with the Dutch company's own lighting sector.

Lighting is Philips' most profitable business. The sector posted an operating profit margin of 13 per cent in the 1994 first quarter.

NEWS IN BRIEF

Volkswagen and Skoda agree accounts

Volkswagen, the German carmaker, said Skoda, its partially-owned Czech unit, had finally agreed its annual accounts, Reuter reports from Wolfsburg.

Problems had existed between VW and Skoda over VW's accounting for 1993 which showed Skoda had made a net loss of DM246m ($144m) after a DM238m profit in 1992.

The loss resulted almost exclusively from adjustments to Skoda's accounts to bring them into line with international standards which inclnde more depreciation and write-downs.

Without the adjustments, Skoda would have mada an DM8m profit in 1993 after a DM70m profit a year earlier, VW said.

Credit Suisse rating 'could be affected'

Standard & Poor's, the international ratings agency, said an acquisition by CS Holding of a substantial stake in Creditanstalt-Bankverein, Austria's second largest bank, would be likely to affect the credit quality of CS Holding's main unit, Credit Suisse, Reuter reports from New York.

CS Holdings has confirmed that it is interested in buying a large stake in Creditanstalt, which S&P rates A-1, from the Austrian government.

Groupe Bull talks to potential partners

Groupe Bull, the French computer group, is running at least five sets of talks with potential industrial and technological partners and will probably announce partnerships in the next few months, Mr Jean-Marie Descarpentries, chairman, said, Reuter reports from Paris.

"In coming months we will probably announce a confirmation of our partnerships with NEC and IBM but also with other enterprises," he said.

US carrier posts $71.6m deficit in first quarter

By Richard Tomkins in New York

Continental Airlinee, the Texas-hased carrier that emerged from its second bankruptcy in April last year, yesterday reported s net loss of $71.6m for the first quarter.

It blamed the effects of an exceptionally severe winter on its operations in the north-east US and teething troubles associated with the rapid expansion of its low-cost, no-frills services on short-haul routes.

The loss appeared to mark an improvement on the net loss of $107.9m in last year's first quarter, but the previous year'e figures are not strictly comparable because the company was recapitalised when it emerged from bankruptcy.

A better indicator was the performance at the operating level, where operating losses were unchanged st $55.2m.

This was in sharp contrast with last year's fourth quarter when the company reported operating profit of $8.5m, compared with operating losses of $43.7m the previous time.

Most other US airlines have reported first-quarter losses this year because of bad winter weather or low-fare competition, but most have improved their performance from last year because of a slight increase in revenues and a big fall in fuel costs.

Continental's revenues were unchanged at $1.4bn, and nearly all the reduction in net losses was attributable to a tax credit of $42.8m.

Fully diluted loss per share was $2.86.

Mr Robert Ferguson, chief executive, said the severe winter had cost the airline an estimated $28m in lost revenues. That and teething troubles with the expansion of its low-cost flights had caused the proportion of scheduled services completed to fall to 95.3 per cent from 98.3 per cent.

Mr Ferguson said the operational problems had been mostly corrected and the company had achieved a significant operating and bottom-line profit in March.

He said the low-cost operation – dubbed CALite – was exceeding its financial targets and Continental was "ever more confident" of its success.

Brazil's biggest airline cuts costs

By Angus Foster in São Paulo

Varig, Brazil's largest airline, yesterday announced a series of cost cutting measures in the face of continuing financial difficulties.

Varig hopes the measures, the latest of its restructuring moves, will lead to monthly savings of up to $6m.

The company, which has not made a profit since 1989, said that it would seek to reduce its 24,000 workforce by up to 10 per cent.

Staff numbers have already been cut from 29,000 under previous restructurings.

Varig also intends to reduce its regional network in Brazil.

In March, the company suspended lease payments on 50 aircraft for two months in order to renegotiate its leases, which it thought too expensive.

Varig said the payment suspension, dne to expire later this month, had the backing of its main Brazilian lending banks.

The banks wanted to see a reduction in the company's annual lease costs of $500m, negotiated before the downturn in the airline industry.

Varig, which is privately owned, made losses of $97m in the year to December 31. The company's main problems remain the still-depressed Brazilian market and s stubbornly high cost base.

Other recent attempts to reduce costs have included a reduction in fleet size and efforts to lift operational efficiency, which the company said could lead to annual savings of $30m.

Jefferson Smurfit prices US offer at $13

By Deborah Hargreaves

Jefferson Smurfit, the Irish paper and packaging group, yesterday priced an initial public offering of 19.25m shares in its US division at $13. The company also offered $400m of senior notes in Container Corporation, which is owned by its US arm.

The equity offering is part of a $2bn refinancing plan for Jefferson Smurfit Corporation in the US, which is partly owned by two equity funds run by Morgan Stanley, the US investment bank.

Mr Michael Smurfit, chairman of the Irish group, said he was pleased the company had achieved the offering "despite extremely difficult and volatile markets".

In addition to the 19.25m shares to be sold to the public, a unit of the parent Jefferson Smurfit group will also buy 11.54m shares at the same price as the public offering.

The remainder of the refinancing comes from a bank facility of $1.65bn, of which a $900m loan will be delayed until December. That loan will be used by the company to redeem $844m of junk bonds which date back to 1989.

The refinancing will save the US company $68.3m a year in interest payments on its debt burden, which is largely made up of junk bonds. The US company has struggled under high interest payments and weak paper and packaging markets, pushing it into the red in the past three years.

However, company officials say the market is on the upturn again with prices for liner board – its main prodnct – increasing by $55 a tonne over the past five months and another price rise schedulled for June. The price increases will add $110m a year to the company's bottom line.

Norwegian insurer suffers steep fall

Vital, the Norwegian life insurance and pension group, suffered a fall in first-quarter pre-tax profits to NKr63m ($8.7m) from NKr812m, writes Karen Fossli in Oslo.

Profits were hit by a reduction in the value of the group'e bond portfolio following a rise in interest rates.

Wall St awaits a takeover's demise

The $8bn Viacom-Blockbuster deal is fading, writes Martin Dickson

Dead, but just not buried.

That was the epitaph pronounced this week by one Wall Street analyst on the proposed $8hn takeover of video retailer Blockbuster Entertainment by Viacom, the film, television and publishing group. The takeover was announced at the start of this year as part of Viacom's successful bid for Paramount Communications.

Nsither Viacom nor Blockbuster is acknowledging the deal is off, and the merger agreement gives them until the end of September to consummate the marriage.

However, it is hard to find anyone on Wall Street who thinks the deal will go through in anything like its present form, and there are indications the two sides are discussing various forms of co-operation short of a merger.

Wayne Huizenga: no assurances of board backing

In a letter to shareholders this week, Mr Wayne Huizenga, Blockbuster chairman, said there could be no assurance its board would be able to recommend a deal.

Formal or not, the ending of the engagement has significant implications for both parties. For Viacom, it increases pressures to sell off assets acquired when it took over Paramount. For Blockbuster, it creates question marks over tha group's strategy, and makes it a potential takeover target for another media company.

The death knell has been eounding for the deal ever since Viacom took over Paramount in March, as victory sharply depressed the price of Viacom stock. Investors feared the company had overpaid for the film and publishing group, and burdened itself with too much debt.

That in turn endangered the Blockbuster deal, for Viacom proposes paying for the video retailer in stock: 0.08 of a share of Class A stock and 0.60615 of a share of non-voting class B stock for each Blockbuster share. Blockbuster shareholders would also get limited protection against poor Viacom share-price performance – an award of up to 0.13829 of a share on the first anniversary of the consummation of the merger.

However, based on Viacom stock's trading price yesterday, that package would give Blockbuster shareholders only $21¼ a share, $9¼ s share less than the level at which Blockbuster shares were trading before January's announcement. Blockbuster shareholders are hardly likely to accept such a deal. This is reflected in thet the company's shares are trading substantially higher than the bid terms, at around $26½.

The two sides could try to restructure the deal, but there are no signs of Viacom being prepared to do so.

Instead, tbe companies appear to to be discussing a more limited form of co-operation, such as renaming Viacom'e Showtime cable television film channel "The Blockbuster Channel", and possibly using it as an outlet for movies made by Blockbuster's Spelling Entertainment/Republic Pictures Hollywood film units.

For Viacom, the main attraction of the marriage with Blockbuster was always financial. As part of the merger deal, Blockbnster agreed to make s $1.25bn investment in Viacom stock (on top of the $600m it had committed earlier in the Paramount bid), giving the company cash to boost its offer st s crucial moment in the takeover battle.

The merger also promised to bolster Viacom's balance sheet – weighed down with bid-related debt – with the injection of Blockbuster's strong cashflow from its retailing operations.

If the merger does not go through, Viacom will come under increased pressure to sell off peripheral Paramount assets to lower debt. It is already weighing offers for New York's Madison Square Garden arena, though Mr Sumner Redstone, Viacom's chairman, insists it does not intend to sell any "strategic" assets.

For Blockbuster, the main attraction of the Viacom marriage was to diversify the group away from the video rental market, which is expected to face strong competition from inter-ective television over the next decade.

If the deal is abandoned, Mr Huizenga may have a tough job convincing Wall Street the company bas an equally-compelling strategy for growth. He could also have a hard time convincing shareholders the equity investment already made in Viacom is worthwhile. This is because the stake was bought at $55 per Viacom B share against a stock market price of $26 yesterday. Abandonment of the marriage would allow Blockbuster some compensation for this drop, but possibly not enough to cover the investment.

Video group to develop $1bn park

Blockbuster Entertainment yesterday said it was forming a Blockbuster Park division as part of the group's transformation from a video rental company to a full-scale entertainmeot conglomerate, writes Richard Tomkins.

The division's first project will be the development of the $1bn Blockbuster Park, a sports and entertainment complex that the group wants to build on s 2,500-acre site near Fort Lauderdale in Florida.

If the project goes ahead, one function of the complex will be to serve as a home to two sports teams owned by Mr Wayne Huizenga, Blockbuster's chairman – the Florida Panthers, an ice hockey team, and the Florida Marlins, a baseball team.

At one end of the complex will be a 20,000-seat bockey arena for the Panthers and at the other a 45,000 to 50,000-seat baseball stadium for the Marlins. In between an entertainment village will feature restaurants, sbops and a theme park.

Broadcast fecilities, a film and television production studio, a 15- to 20-screen cinema, virtual reality entertainment, a sports museum, a golf course and a hotel are also planned for the site.

Blockbuster already owns 1,800 acres of the site – mainly scrubby marshland straddling the Broward and Dade county lines. However, the project has to overcome environmental objections and win approval from the planning anthorities before it can go ahead.

Travel agent finds tax 'discrepancies'

By Ian Rodger and Andrew Jack

Reiseburo Kuoni, the Swiss travel agency group, is in discussions with the UK Inland Revenue about "discrepancies" dating back to the late 1970s.

Mr Peter Oes, chief executive, said yesterday he expected ths investigations to he completed by the autumn.

The company is believed to have approached the Inland Revenue and launched its own investigation using an external auditor after discovering the tax problems.

A spokesman for Kuoni said no provision had been made for the charge in its 1993 accounts, and any additional tax payments would be shown in the 1994 results.

He said the company would probably announce the amount as soon as the investigation was complete, especially if it would have a material effect on the year's results.

Mr Oes forecast that net income this year would reach a record. Net income last year slipped to SFr44.7m ($30.8m) from SFr49.9m in 1992.

Kuoni is one of Europe's largest agents with revenues last year of SFr2.4bn. Domestic business sccounts for nearly half of company revenue.

Improved prices help to lift profit at SSAB

Firmer prices and increased volumes helped SSAB, the Swedish steel group, lift first-quarter pre-tax profits sharply, to SKr478m ($62.9m) from SKr23m, writes Christopher Brown-Humes.

It says profits for the full year could be nearly twice last year's SKr776m, provided current market trends continue.

The group, one of Europe's few profitahle steelmakers, noted that supply and demand in western Europe had improved during the spring. "This should improve chances for certain price increases during the second half of the year," it said.

Ares-Serono sells its diagnostics division

By Ian Rodger in Zurich

Ares-Serono, the Geneva-based leader in human fertility drugs, is selling its diagnostics division to BioChem Pharma of Montreal for $44m in cash and $21m in notes.

The group is developing biotechnology-based drugs for treating infertility and multiple sclerosis.

It plans to invest SFr300m ($208m) in expanding production facilities in Switzerland.

The deal is the latest in a series of transactions this week that illustrates a fresh drive by pharmaceutical companies to focus resources on their most competitive businesses.

Earlier this week Roche, the Swiss group, took over Syntex of the US for $5.3bn.

The Anglo-US drugs group SmithKline Beecham announced it would buy Diversified Pharmaceutical Services, a US drug distribution group, for $2.3hn, while Eastman Kodak put its three healthcare divisions up for sale.

Ares-Serono's diagnostics division was established in the 1970s and was boosted substantially with the purchase of Baker Instruments of the US in 1988. It had sales of $89.3m last year, 12 per cent of the group total.

Fighting fit and looking for aerospace deals

McDonnell Douglas is emerging from a harsh restructuring with its focus sharpened, writes Paul Betts

McDonnell Douglas, the US aerospace and defence group, has been building up financial muscle. It wants to put itself in a good position to take advantage of investment and acquisition opportunities for its core aerospace business.

"We have conducted an overall analysis of our industry and identified areas of business where an acquisition would make sense," Mr John McDonnell, chairman, said.

The company was considering internal investments to expand core businesses, as well as acquisitions "if an opportunity comes along at a reasonable price".

However, Mr McDonnell said that it was not seeking to make a hostile takeover bid.

In particular, it was interested in expanding its helicopter business and satellite launch activities, Mr McDonnell said.

Barely two years ago, the US company had planned to shed its helicopter activities as part of its restructuring and recovery programme. However, Mr McDonnell said it had now decided to keep this business and expand it.

He stressed, however, that the company was no longer interested in diversifying, and wanted instead to concentrate on strengthening its core aerospace businesses.

"We've learnt our lesson. In the late 1980s, I was the prime advocate of diversification in the company: now I'm the prime advocate for aerospace," he said.

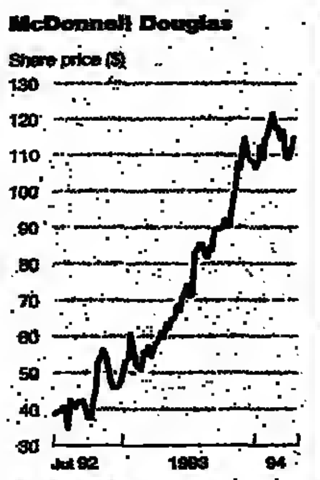
The company's sweeping restructuring programme, which has reduced the workforce from 135,000 in 1990 to 67,000 at the end of the latest quarter, has given the group a strong capital structure.

A 20 per cent increase in first-quarter operating earnings, to $259m compared with $215m in the same period last year, continued to help reduce debt.

"We reduced net debt by more than $400m in the first quarter, and our net debt-to-equity ratio is now down to 0.36, which is one of the lowest in the industry – lower than that of our principal competitors, including Lockheed and Martin Marietta," he said.

The company's strong recovery has been reflected in a leap in the share price, from about $48 at the end of 1992 to around $120 this year.

Mr McDonnell said the outlook for the military aircraft business remained good. However, with continuing pressure on government defence budgets, he expected "a reasonably stable" market rather than growth.



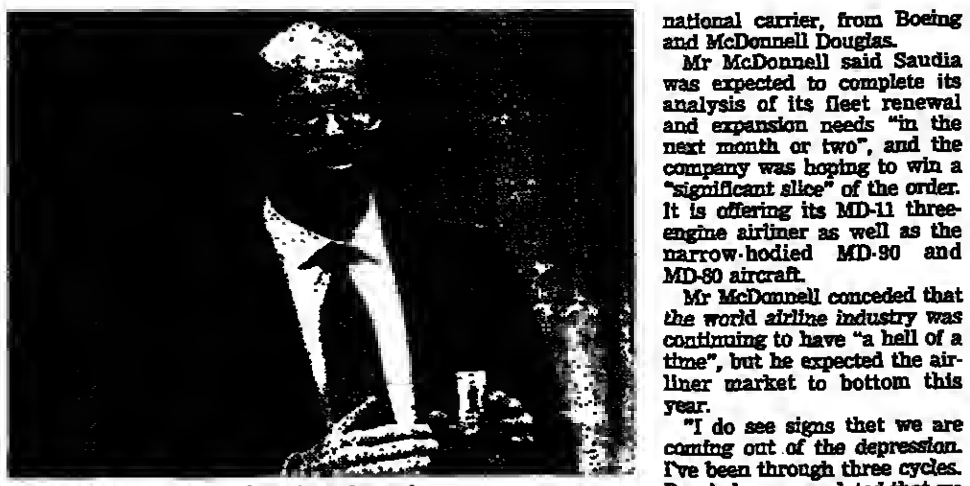
The big challenge for the company's military aircraft business remains the troubled C-17 large transport aircraft programme.

The company reached a settlement with the US government at the end of last year over the Pentagon's purchase of an initial batch of 40 aircraft.

Under the settlement, McDonnell Douglas has been placed on a two-year probation while it makes technical and managerial improvements to the programme. The agreement is estimated to have cost the US government $348m and McDonnell Douglas $454m.

"This gives us until the end of 1995 to demonstrate we can deliver the aircraft on time, on spec, with high quality and at an affordable cost. If we do, it could lead to a programme of as much as 120 aircraft for the US Air Force and potential overseas sales to the UK and other countries, as well as some modest sales in the commercial market," Mr McDonnell said.

However, if the C-17 failed to meet the programme targets and the Pentagon cancelled it, the cost to McDonnell Douglas would be about $2bn in lost sales a year during the next decade. "This programme will account for about 20 per cent of our government business in the next decade," Mr McDonnell said.


John McDonnell: 'We've learnt our lesson'

Although the company is trailing Boeing and the European Airbus consortium in the commercial aircraft field, its prospects have been boosted by Saudi Arabia's decision to buy up to $6.2bn worth of airliners for Saudia, its national carrier, from Boeing and McDonnell Douglas.

Mr McDonnell said Saudia was expected to complete its analysis of its fleet renewal and expansion needs "in the next month or two", and the company was hoping to win a "significant slice" of the order. It is offering its MD-11 three-engine airliner as well as the narrow-bodied MD-90 and MD-80 aircraft.

Mr McDonnell conceded that the world airline industry was continuing to have "a hell of a time", but he expected the airliner market to bottom this year.

"I do see signs that we are coming out of the depression. I've been through three cycles. People have speculated that we would go out of the commercial business. It hasn't happened yet and it won't happen in this cycle," he said.

The company intended to remain in its two niche markets in the commercial business, with its MD-11 wide-bodied and MD-80, MD-90 and the planned MD-95 narrow-bodied airliners.

However, Mr McDonnell said he had not abandoned the idea of forging an international alliance for the commercial aircraft business, with foreign partners acquiring up to 49 per cent of it.

First-quarter improvement at Dyno Industrier

By Karen Fossli in Oslo

Dyno Industrier, the Norwegian chemicals, explosives and plastics group, yesterday reported a sharp rise in first-quarter pre-tax profit to NKr130m ($18m) from NKr75m, helped by increased demand and higher volumes.

Dyno expects the positive development to continue throughout the year, helped by the emerging economic recovery in European markets and a slight increase in coal production in North America, which will contribute positively to explosives activities.

First-quarter sales rose to NKr2.26bn from NKr1.91bn, boosted by a combination of growth in volumes, the stronger dollar and higher prices for a number of raw materials. Operating profit increased to NKr147m from NKr114m.

Dyno warned, however, that increasing prices for the group's most important raw materials purchases could create pressure on margins for the remainder of the year.

● Vard, the troubled Norwegian cruise and ferry group, has cut first-quarter pre-tax losses by more than half to NKr57.3m from NKr127.6m.

The result was better than analysts had expected. Vard said the improvement was due to increased passenger volume for its ferries and reduced shore-side expenses and higher turnover for in cruise division.

Operating revenue rose to NKr1.8bn from NKr1.6bn. Operating expenses increased to NKr1.58bn from NKr1.44bn leaving operating profit up to NKr96.7m from NKr11.08m.

Financial items charged against first-quarter accounts increased to NKr153.95m from NKr138.41m partly as a result of a rise in interest expenses to NKr192m from NKr130m in the same period last year.

Canadian Pacific in rail merger talks

By Robert Gibbens in Montreal

Canadian Pacific plans to reach agreement with the federally-owned Canadian National Railways (CN) for a merger of their eastern Canada railway systems late this month, said Mr William Stinson, CP's chairman.

The deal could take effect from January 1 1996.

Both sides believe the merger is the only way to deal with overcapacity in eastern Canada and federal officials support the strategy, Mr Stinson said after CP's annual meeting in Calgary.

"Overcapacity is draining hundreds of millions of dollars yearly from both railways," he said.

"Trade routes have shifted more north-south and we have hundreds of miles of non-profitable track."

CP's western rail system, which has been expanded to carry rising volumes of export wheat and other commodities, is profitable and would not be part of the merger. A new company 50-50 owned by CP and CN would operate the eastern system from Manitoba to the Maritimes.

"CP Rail's results must be brought into line with those of the best US railroads," said Mr Stinson.

CP has sold assets to concentrate on rail and sea transport, oil and gas, coal, hotels and property.

CP's first-quarter profit was C$17.2m, or 5 cents a share, after a C$7m special charge, against C$21.7m, or 7 cents, after a special gain of C$28.5m a year earlier.

Revenues were C$1.6bn, against C$1.47bn. Operating income gained 45 per cent to C$224m.

Fall at Aga fails to mar full-year outlook

By Christopher Brown-Humes in Stockholm

Aga, the Swedish industrial gas group, is sticking to a forecast of higher profits this year, in spite of a slight weakening in its first-quarter performance.

Income after financial items eased to SKr401m ($52.7m) from SKr415m. Operating income was also lower at SKr366m, compared with SKr392m, although sales rose 4 per cent to SKr3.87bn.

The group recently announced plans to spin off Frigoscandia, the world's leading cold storage chain, and obtain a separate listing for the company. The move is in line with its long-term strategy of concentrating on industrial and medical gases.

Pro-forma figures showed that gas operations achieved a SKr404m profit in the first three months, on sales of SKr2.96bn. In the same period of 1993, profit was SKr416m on sales of SKr2.73bn.

Most of the group's gas operations recorded higher operating income. This was attributed to improving economic conditions in the US and Nordic region. The European continent remained weak, however.

Frigoscandia had a slightly higher loss, of SKr3m compared with SKr1m, in what is always a weak period. The company's sales dropped 6 per cent to SKr924m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.80	16.50	16.50
0100	10.75	15.66	15.66
0130	10.75	16.90	16.90
0200	10.87	20.60	22.77
0230	10.87	21.14	23.32
0300	10.87	23.09	25.26
0330	10.85	23.09	25.26
0400	10.85	23.09	25.26
0430	10.75	21.14	23.32
0500	10.75	17.00	17.00
0530	10.80	16.75	16.75
0600	10.85	16.75	16.75
0630	10.90	16.80	16.80
0700	12.70	29.11	31.28
0730	22.01	29.98	31.59
0800	22.46	31.94	34.37
0830	23.67	35.40	36.01
0900	23.67	36.32	39.14
0930	23.67	36.47	38.31
1000	23.67	36.58	39.45
1030	23.67	40.09	42.95
1100	23.67	39.96	42.79
1130	23.67	40.18	43.08
1200	23.67	40.34	43.26
1230	23.67	40.16	43.03
1300	23.67	39.21	41.87
1330	22.46	34.84	37.08
1400	21.81	33.02	35.31
1430	21.54	31.33	33.58
1500	21.54	31.29	33.52
1530	21.08	31.24	33.46
1600	31.08	31.21	33.42
1630	21.08	31.24	33.46
1700	34.12	31.30	33.53
1730	23.50	47.28	49.42
1800	23.50	47.13	48.34
1830	34.12	31.11	33.29
1900	17.96	31.09	33.26
1930	17.96	29.30	31.47
2000	12.05	29.30	31.47
2030	11.19	48.34	50.51
2100	11.19	48.34	50.51
2130	29.50	48.34	50.51
2200	29.50	29.30	31.47
2230	23.55	20.92	23.09
2300	11.19	20.92	23.09
2330	11.17	16.75	16.75
2400	10.95	11.00	11.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.50/MWh becomes 1.650p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of these revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are not capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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Bank Austria posts sharp rise but cuts payout

By Patrick Blum in Vienna

Bank Austria, the country's largeet bank, yesterday reported a sharp rise in operating profits but will pay a reduced dividend of 8 per cent, compared with 10 per cent in 1992, as part of further efforts to improve financial resources and enhance competitiveness.

Partial operating profits doubled to Sch4.2bn ($347m) from Sch2.1bn in 1992, helped by further measures to reduce costs and additional synergies from the 1991 merger of Oesterreichische Länderbank and the city of Vienna's Zentralsparkasse savings bank to form Bank Austria.

Profits before allocations to reserves at Sch1.32bn were broadly in line with the Sch1.29bn earned in 1992.

Operating expenses declined by almost 7 per cent, mainly due to a 15 per cent cut in labour costs, and the one-off effect of a reform of the company's pension scheme.

The domestic branch network was reduced by 15 branches to 340 branches, and more will be closed this year.

Provisions against bad debts were reduced by almost one-third from 1992 to about Sch4bn "despite the problems faced by the Austrian economy, and bankruptcies climbing to an all time high", the bank said.

Primary funds totalled Sch332.9bn, with private household savings deposits accounting for 48.5 per cent of the total.

The bank continued to expand in central and eastern Europe. It now has subsidiaries in the Czech Republic, Hungary and Slovenia, and became the first foreign bank to open an operational branch office in Moscow.

Bank Austria recently completed its takeover of GiroCredit, Austria's third largest bank, by raising its stake to 56 per cent from 30 per cent.

The move is expected to lead to further rationalisations at Bank Austria and GiroCredit, which will become more focused on servicing the savings bank sector.

Nedcor income ahead 16% after six months

By Mark Suzman in Johannesburg

Nedcor, the South African banking gronp, yesterday announced a 16 per cent rise in net income to R271m ($80m) for the six months to March, up from R234m a year ago.

The interim dividend has been increased to 29 cents from 25 cents, while earnings per share rose to 139 cents from 121 cents. Overall interest income rose to R3.39bn from R3.12bn, and was helped by growth in both loans and advances. Other income rose 16 per cent to R653m from R562m.

Mr Richard Laubscher, chief executive, said the improvement was chiefly the result of "very good volumes".

Results were also boosted by a 14 per cent reduction in provision for bad debts to R103m compared with R120m last year. This was partially offset by a 21 per cent increase in the tax burden as a result of an increase in value added tax.

The group's best performer was its UAL financial services division, which increased net income by 25.4 per cent, rising to R32.1m from R25.6m.

Mr Laubscher said he was "much more positive" abont prospects for the economy after the elections.

He singled out the Perm, Nedcor's main home-loan arm, and said that it was exceptionally well placed to take advantage of further growth in the black market, particularly as the new government pursues its reconstruction and development programme in the townships.

Bajaj Auto in cash call

By R.C. Murthy in Bombay

Bajaj Auto, India's largest producer of motor scooters, has announced plans for a $250m Euro-issue.

Part of the proceeds could be used to finance plans to produce low-cost cars.

Mr Rahul Bajaj, chairman, said he hoped to begin by making 50,000 cars a year, later increasing to 100,000.

Mr Bajaj did not say when the final decision on the scheme might be taken, or who the potential foreign partners might be. However, the company is unlikely to go into production before the end of the decade.

The announcement came as Bajaj Auto reported full-year net profits up eharply to Rs1.46bn ($46.6m) from Rs620m, due to strong exports, tight control on interest charges, and reduced provisions for depreciation.

Sales overall rose 28 per cent to Rs16.5bn.

Chinese stocks lose their shine

Caution is the watchword, write Simon Holberton and Louise Lucas

The first flush of enthusiasm for "China Inc" that was so much in evidence last year has given way to caution.

Since the beginning of the year the share prices of the first clutch of Chinese state companies listed in Hong Kong – the H-share companies – have come under pressure, which has become especially acute as they have reported their earnings over the last two weeks.

Since the beginning of the year, the Hang Seng Index has fallen 31 per cent. But the share price of Guangzhou Shipyard has slumped 54 per cent, and those of Maanshan Iron and Steel and Shanghai Petrochemical by 45 per cent and 36 per cent respectively.

Only Tsingtao Brewery has outperformed the market, falling by 29 per cent since the start of the year.

Mr Ravi Narin, head of Hong Kong research at Peregrine Securities, a local brokerage, says: "We've told investors to sell all of them. They had been pushed up to ridiculous levels. We don't like them on relative valuation basis; we have questions about their currency exposure; and their managements and businesses are largely unknown."

In spite of impressive-looking earnings reports for the H-share companies – Maanshan's profits rose 431 per cent and Tsingtao Brewery's rose more than 300 per cent – investors looking ahead to an uncertain year in China and studying the fine print of the reports are concerned.

Investors have also been taken aback by some novel accounting practices – such as taking "below the line" items which a western company might allocate above it, such as welfare provisions akin to funding a pension scheme.

There is a growing appreciation among the financial community that the mainland is poised for a sharp slowdown in economic activity.

Also causing concern are signs that the Chinese government's policy of economic retrenchment has begun to bite, showing up in the sharp, and to some alarming, rise in debts owed to the H-share companies.

Mr C.Y. Ho, head of China research at Crédit Lyonnais Securities Asia, says: "In the past it was a question of 'why bother to offend people?' If you did not collect receivables you just made borrowings – it was the same thing. Now it's a different story. The H-share companies have become alien to other state-owned enterprises; they are forcing them to pay back their debts, so relations are not going to be that smooth in 1994."

The brokerage calculates the increase in debtors has outstripped the growth in sales at four of the six companies – Beiren Printing, Kunming Machinery, Maanshan Iron and Steel and, most dramatically, Tsingtao Brewery where a 35 per cent increase in sales year-on-year has resulted in a 230 per cent jump in money owed to it.

Mr Ho says difficulties in debt collection can be exacerbated by the very privatised status which underlines H-share companies' accountability to shareholders. In China the companies are perceived to be cash rich and, as such, come bottom of the list to be paid off.

But it also reflects a systemic problem in corporate China. State owned companies across the board are floundering, giving rise to the re-emergence of "triangular debt". This is a peculiarly Chinese phenomenon which afflicts the state-owned sector and was meant to have been eradicated by Mr Zhu Rongji, now China's economics minister, after a high-profile attack on the problem in 1992.

The inability of one company to pay its debts feeds straight through the system of corporate relationships: company A cannot pay back company B until it receives payments from company C. Those companies with cash are making loans to each other, commanding interest rates in excess of 25 per cent. Tsingtao has lent a total Yn263m (US$20m) to other Chinese companies.

Another aspect of the latest H-share reports which has raised eyebrows is the treatment of certain transfers from the profit and loss account. The H-share companies are required to transfer 10 per cent of their after-tax profits (before distribution to shareholders) to a "collective welfare fund" and another 10 per cent to a "statutory surplus reserve", a form of compulsory retained earnings.

H-share companies have to accumulate these reserves until they equal half the paid up capital of the company. The "collective welfore fund", which is also defined as "shareholders' funds" is for the benefit of the work force.

All of the H-share companies are the creations of merchant bankers and had no independent existence before the Chinese government decided they would be listed oo the Hong Kong stock exchange. Companies such as Shanghai Petrochemical and Maanshan Iron and Steel were (and still are) industrial towns with integrated social services which the welfare funds support.

It is a fine point whether the collective welfare fund should be treoted as an expense, and therefore above the line, as it represents some of the costs of doing business in China for these companies.

In any event, it appears that the heyday for H-share companies is over for the time being. The interest generated in China stocks was partly due to their scarcity, but their rarity value is about to be eroded as 22 more state companies are listed in Hong Kong – 17 of which will have their primary quotation in the colony.

In a market notorious for its short-termism, stock market analysts now say that mainland companies are for those investors with a long-term view. That is Hong Kong's way of saying "sell now and buy another day".

China's companies in Hong Kong: Profits after tax (Yn m)

	1992 actual	Prospectus for 1993	1993 actual	Change on 1992 (%)
Maanshan Iron and Steel	407.5	1,250	1,758.0	431
Shanghai Petrochemical	443.0	848	870.0	96
Tsingtao Brewery	45.1	193	187.8	316
Guangzhou Shipyard	67.7	85	105.6	56
Beiren Machinery	42.2	85	83.0	96
Kunming Machine Tool	16.4	31	72.5	342

Source: Company reports

PLDT declines 12.8% despite higher revenues

By Jose Galang in Manila

Philippine Long Distance Telephone (PLDT), the country's dominant telecommunications company, yesterday reported a 12.8 per cent drop in first-quarter profits to 912.3m pesos ($32.9m), in spite of a 10 per cent rise in revenues to 4.78bn pesos.

The company said higher capital spending, mostly related to its programme to meet an estimated 800,000 applications for telephone lines, led to the lower earnings.

Industry analysts had forecast slower profits growth for PLDT, which faces keener competition from rivals in the newly deregulated industry.

The company said operating expenses in the first quarter grew 21 per cent to 3.51bn pesos.

NSW authorities will award Sydney casino licence today

By Nikki Tait in Sydney

The New South Wales Casino Control Authority will today announce the winning bidder for the right to develop a casino in Sydney.

The contest has come down to a two-way fight between Circus Circus, the large US casino operator, acting in conjunction with Mr Kerry Packer, the Australian businessman, and Showboat, a smaller US gaming company, which is partnered by Leighton Holdings, the Australian property and construction group.

The Sydney casino is the last prize in a string of Australian gaming developments which could lead to a trebling of the nation's casino industry revenues by the late-1990s.

Developers have been chosen for new casinos in Cairns, Brisbane, and Melbourne – all of which will come on stream over the next three years. According to consultants at Price Waterhouse, the total annual gross gaming revenues from those projects, plus Sydney, could amount to about A$1.25bn (US$896m).

The operator of the Sydney casino will have to pay more than one-fifth of all revenues from table gamee, up to A$200m, and 22.5 per cent of gross revenue from "gaming devices".

Table game revenues which top A$200m will attract a "super" profits duty, which rises progressively to a maximum rate of 45 per cent.

The CCA saye annual income from the property should be about A$100m, although this may bo a conservative estimate.

The developer will hand over a "once-only, non-refundable lump-sum payment" when the casino licence is granted. "The benefits to the state arising out of the size and proposed timing of the payment will be significant factors in the CCA's assessment of the applications," the bidding terms state.

Some critics argue that New South Wales has gone too far – and the aggressive structuring of the tax-take from the Sydney property will mitigate against a high-roller type of casino, and encourage the developer to pursue a more downmarket operation.

This is thought to be the reason why a number of big US gaming groups backed away from bidding.

INTERNATIONAL CAPITAL MARKETS

Treasury prices mixed despite a stronger dollar

By Frank McGurty in New York and Sara Webb in London

US Treasury prices were mixed yesterday morning, with the market gaining meagre support from a stronger dollar and data which auggested the chance of favourable news in today's pivotal employment report.

By midday, the benchmark 30-year government bond was $\frac{3}{32}$ better at $87\frac{1}{16}$, with the yield slipping to 7.319 per cent. At the short end, the two-year note edged $\frac{1}{32}$ lower to $99\frac{9}{16}$, to yield 5.855 per cent.

The focus of attention was squarely on today'a figures on April non-farm payrolls and the unemployment rate, which will give the market its first comprehensive reading on the strength of the economy in the early part of the second quarter.

Forecasts centre on s payroll increase of 170,000, and an unemployment rate of 6.5 per cent.

Yesterday's announcement of rising claims for unemployment benefit last week was marginally encouraging for fixed-rate investors, who are looking for indications of weak inflationary pressures. Tha good news was offset hy the announcement that unit labour costs jumped 5 per cent in the first quarter.

Trading was largely confined to professional dealers, who were squaring their positions ahead of today's data. Improvement in the value of the dollar against the yen and D-mark was helpful in the early going, but most traders were content to remain on the sidelines.

Their overriding concern remained the likelihood of an imminent move by the Federal Reserve to lift interest rates for the fourth time this year, perhaps as early as this morning.

■ Tha Spanish government bond market bounced back up yesterday to end over a point higher, recovering part of the losses made in the previous two days.

GOVERNMENT BONDS

The market saw sharp declines of over a point on Tuesday and Wednesday as further news about the political corruption scandals triggered more selling, particularly by foreign investors.

Mr Falipe González, the Spanish prime minister, was forced to respond to political attacks about the recent scandals at s press conference.

Two of Mr González's ministers have resigned in recent days in connection with the scandals.

Meanwhile Mr Mariano Rubio, the former governor of the Bank of Spain, was arrested late on Wednesday and charged with tax fraud.

Yesterday saw some renewed buying interest in Spanish paper, inspired mainly by the realisation that Spanish 10-year yields were hovering close to 10 per cent, while the yield *spread over 10-year German* paper had widened out to well over 300 basis points.

"At close to 10 per cent yields, peopla felt there was relative value out there," said Mr Jouni Kokko, international economist at S. G. Warburg Securities.

The Spanisb government bond futures contract quoted on Meff opeoed at 94.00 and touched a low of 93.55 early in the session, before climbing steadily back up to a high of 95.67 and ending the day at 95.36.

■ The strength of the German economic recovery provided the main focus of attention in the German government bond market again, with some market participants wondering whether independent German economists are likely to revise their growth forecasts upwards again.

"The rise in unemployment was smaller than expected, and we continue to see signs that the German economy is recovering," said one analyst.

The Liffe bund futures contract opened at 94.39, fell to a low of 93.77, and then climbed back up to a high of 94.44, settling at 94.32.

■ Elsewhere in Europe, French government bond prices mostly followed bunds in the course of the day, despite a 10-basis-point cut in the intervention rate, from 5.70 per cent to 5.60 per cent.

Dealers said the Treasury'a auction of stock yesterday was generally well-covered, but they were disappointed at the yields accepted. The Treasury sold FFr13bn of 10-year stock with a 5.5 per cent coupon at an average yield of 7.09 per cent. *The notional futures* contract opened at 119.48 and settled at 119.24.

■ UK gilts bounced back to end s point higher on the day, although dealers said the recovery in prices was technical. Tha gilt market will be focusing on the outcome of the local elections and the US data today.

ONGC sticks to Euro-issue plan

india's Oil and Natural Gas Corporation (ONGC) intends to go ahead with planned domestic and Euro-issues despite the decision earlier this week by Videsh Sanchar Nigam (VSNL), the telecommunications monopoly, to postpone its planned $1bn Euro-issue, the company chairman said, Reuter reports from New Delhi.

"We are going to place in the market sbares valued at Rs30bn. Half of it will be in the domestic market and the rest in the international market," said Mr S.K. Manglik, ONGC's chairman.

State-owned ONGC, one of Asia's largest oil explorstion firms, was converted into a public limited company on February 1. Formed in 1959, it employs 48,000 and has assets of Rs89.4bn.

The company made a record net profit of Rs20bn in 1993-94, a 153 per cent increase over the previous year. It produced 24.21m tonnes of crude during the year.

Mr Manglik said the company hoped to make its domestic issue around June or July.

"We are thinking of going in for the international GDR [Global Depositary Receipt issue] in the latter part of the year," be said.

"As of today, we have no intention of changing our plan but we will be alive to the environment and keep a watch," he said. "After all, who expected VSNL, which is a very good company, to bomb like this?" he added.

The VSNL Euro-issue of GDRs, certificates representing domestic equity, was to have been priced on Tuesday after roadshows around the world. However, the ambitious offering, riding on the back of India's economic liberalisation programme, fell victim to falling global interest in emerging markets after the US Federal Reserve Board raised interest rates.

ONGC sources said the domestic price for a share was expected to be fixed around Rs140 to Rs150.

ADB outlines 1995 funding strategies

The Asian Development Bank (ADB) may launch s global yen issue in 1995, and may also spearhead the first bond issue in Taiwanese dollars this year as part of its new funding programme, a bank official said, Reuter reports.

Mr Erkki Jappinen, the ADB'a assistant treasurer, said the 55-member bank aimed to raise up to 20 per cent of its $2.8bn funding target this year through the structured placement market.

"We have two nsw approaches to our funding strategy this year – issuing global bonds and the placement plan," he said in Nice, where the bank is holding its annual conference.

Bankers said the structured placement plan would bring the ADB into the rapidly-expanding market for issnes involving options or swaps.

Hellenic Republic FRN meets strong demand

By Conner Middelmann

Greece's long-awaited D-Mark offering provided the highlight of another torpid day in the Eurobond markets.

As expected, the Hellenic Republic issued DM1bn of seven-year floating-rate notes, with a call and a put option after five years.

INTERNATIONAL BONDS

Paying a coupon of six-month Libor plus 75 basis points, the notes were priced at a discounted margin of 112 basis points over Libor at their 98.42 re-offer price. CS First Boston and Deutsche Bank were joint lead managers.

According to one of the leads, the issne met strong demand from German and Austrian investors who benefit from their countries' dnuble-taxation sgreament with Greece. Some UK and east Asian demand was also reported.

Empresa Distribuidora Sur (Edesur), an Argentine electricity distribution company, issued $150m of two-year floating-rate notes paying a coupon of three-month Libor plus 395 basis points and carrying a call option in May and November 1995.

According to lead manager Chase Investment Bank, the deal met with healthy demand from investors keen on high-yielding short-term floating-rate paper.

Primary market activity is likely to remain suhdued ahead of today's US April jobs data, and is expected to be further crimped by next Thursday's Ascension holiday in most parts of Europe.

However, there is some talk of further short-dated dollar deals as well as yen issues targeted at Japanese investors when they return from the Golden Week holiday.

● IBCA, the European rating agency, issued its first credit ratings for Depfa-Bank, Germany's largest mortgage bank. It swarded Depfa's unsecured Eurobonds a double-A rating and its mortgage bonds and government-guaranteed liabilities s triple-A rating.

Depfa commissioned the IBCA rating after receiving an unsolicited Aa3 Eurobond rating from Moody's in February. After Moody's disappointing rating, "we are pleased about our double-A rating" from IBCA, said Mr Gerhard Bruckermann, chief financial officer.

Depfa's lending activities are substantially German-based, long-term and mostly to the public sector. Since the main part of its business is subject to the German mortgage law, its profits are low compared with those of the commercial banks. However, according to IBCA, the quality of its lending is higher.

Moreover, its profitability has improved over the last four years, and this trend is continuing. Depfa has about DM60bn in mortgage bonds and some DM5bn in Eurobonds outstanding.

● Standard & Poor's lowered its rating on the long-term debt of the Province of Newfoundland and on the provincially guaranteed dabt of Newfoundland & Labrador to triple-B plus from single-A minus. Some $2bn of debt is affected. The new rating is equivalent to Moody's Baa1 rating of the province, which was confirmed by the agency.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Endesur(a)‡	150	(b)	100.00R	May.1996	0.60R	-	Chase Investment Bank
D-MARKS							
Hellenic Republic(c)‡	1bn	(d)	98.42R	May.2001	0.35R	-	CSFB/ Deutsche Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable on 17/5/95 and 17/11/95 at par. b) 3-mth Libor +3.95%. c) Callable and puttable on 18/5/99 at par and callable on coupon dates thereafter at par. d) 6-mth Libor +¾%.

Gay Evans appointed chairman of ISDA

By Tracy Corrigan

The International Swaps and Derivatives Association (ISDA) has elected Ms Gay Evans, managing director of Bankers Trust International in London, as its new chairman, replacing Mr Joseph Bauman.

She will hold the position for a year. Ms Evans has been an officer on the ISDA board for four years, and chaired the association's regulatory committee in Europe.

Mr Mark Brickell, s vice-president of J. P. Morgan, and Mr Chip Goodrich, s managing director of Merrill Lynch, were elected vice-chairmen. Both are based in New York.

Ms Evans said ISDA would focus on two main areas. "We will press forward on our educational efforts witb regulators, legislators and our other constituencies around tbe world. Increasingly, these efforts will involve derivatives end-users," she said.

"At the same time, we will continue to fulfil our long-standing mission to assess and reduce sources of risk in the derivatives industry."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.500	08/03	104.5400	-0.130	8.77	8.15	8.20
Belgium		7.250	04/04	98.3000	-0.020	7.50	7.47	7.15
Canada *		6.500	06/04	87.6000	+0.300	8.35	7.95	8.22
Denmark		7.000	12/04	98.2200	-0.580	7.62	7.22	6.87
France	BTAN	8.000	05/98	106.8750	+0.120	6.32	6.20	5.76
	OAT	5.500	04/04	89.2000	-	7.05	6.74	6.48
Germany		6.000	09/03	96.1000	-0.500	6.57	6.51	6.29
Italy		8.500	01/04	95.9500	-0.050	9.14†	8.92	8.92
Japan	No 119	4.800	06/99	-	-	-	3.45	3.26
	No 157	4.500	06/03	-	-	-	3.96	3.84
Netherlands		5.750	01/04	92.7000	-	6.80	6.61	6.39
Spain		10.500	10/03	104.8500	+0.550	8.71	9.25	9.01
UK Gilts		8.000	06/99	92-16	+9/32	7.77	7.49	7.17
		5.750	11/04	80-13	+16/32	8.12	7.76	7.54
		9.000	10/08	105-14	+21/32	8.23	7.90	7.75
US Treasury *		5.875	02/04	91-14	+12/32	7.10	6.83	7.01
		6.250	08/23	87-05	+21/32	7.32	7.11	7.30
ECU (French Govt)		6.000	04/04	89.5400	-0.270	7.53	7.18	6.92

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. *Source: MMS International*

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.62	Two year	5.85
Prime rate	$6\frac{3}{4}$	Two month	3.68	Three year	6.19
Broker loan rate	$5\frac{1}{2}$	Three month	4.12	Five year	6.71
Fed.funds	$3\frac{3}{4}$	Six month	4.62	10-year	7.11
Fed.funds at intervention	-	One year	5.19	30-year	7.33

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	119.48	119.24	-0.40	119.60	119.04	287,772	143,972
Sep	118.54	118.26	-0.44	118.56	118.12	6,824	15,535
Dec	117.64	117.36	-0.44	117.68	117.64	112	3,085

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
119	1.19	1.86	-	1.00	2.54	-
120	0.66	1.41	1.42	1.44	3.00	-
121	0.30	0.90	-	2.07	-	-
122	0.11	0.70	-	2.87	-	-
123	0.04	0.39	-	3.76	-	-

Est. vol. total, Calls 57,321 Puts 84,118 . Previous day's open int., Calls 455,764 Puts 347,866.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.39	94.32	+0.05	94.50	93.77	168542	170672
Sep	93.51	93.79	+0.03	93.88	93.33	4659	13662

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9400	0.90	1.48	0.58	1.69
9450	0.62	1.25	0.80	1.96
9500	0.42	1.04	1.10	2.25

Est. vol. total, Calls 17126 Puts 22063. Previous day's open int., Calls 324301 Puts 306250

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.95	+0.08			0	1789

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	111.25	110.68	-0.63	111.36	110.55	60212	75866
Sep	110.10	109.96	-0.68	110.35	110.00	256	2225

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11050	1.12	2.40	0.94	2.92
11100	0.87	2.18	1.19	3.20
11150	0.65	1.98	1.47	3.50

Est. vol. total, Calls 1715 Puts 1428. Previous day's open int., Calls 81582 Puts 76015

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.00	95.36	+0.53	95.67	93.56	96,199	114,002
Sep	-	96.90	-	-	-	-	853

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-12	104-10	+0-20	104-18	103-08	73931	119327
Sep		103-14	+0-20			0	396

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
104	1-29	2-36	1-09	3-08
105	0-62	2-08	1-42	3-44
106	0-39	1-48	2-19	4-20

Est. vol. total, Calls 3965 Puts 3763. Previous day's open int., Calls 96907 Puts 79465

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	86.38	86.12	-0.30	86.44	85.90	2,950	8,481

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-15	104-19	+0-09	104-28	104-08	468,451	411,808
Sep	103-15	103-18	+0-08	103-26	103-12	4,762	57,227
Dec	103-06	102-31	+0-05	103-06	102-27	135	33,468

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	112.93			112.95	112.65	781	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu May 5	Day's change %	Wed May 4	Accrued interest	xd adj. ytd		Low coupon yield May 5	May 4	Yr. ago	Medium coupon yield May 5	May 4	Yr. ago	High coupon yield May 5	May 4	Yr. ago
1 Up to 5 years (23)	122.31	+0.13	122.15	1.41	4.34	5 yrs	7.83	7.89	7.15	8.04	8.08	7.44	8.15	8.19	7.67
2 5-15 years (23)	142.73	+0.14	142.54	1.42	5.32	15 yrs	8.18	8.17	8.08	8.25	8.25	8.49	8.55	8.54	8.75
3 Over 15 years (9)	161.30	-0.19	161.61	2.58	3.76	20 yrs	8.16	8.17	8.30	8.25	8.25	8.59	8.42	8.42	8.80
4 Irredeemables (6)	182.22	+0.39	191.51	0.17	6.12	Irred.†	8.21	8.24	8.54						
5 All stocks (61)	140.18	+0.08	140.05	1.80	4.77										

Index-linked	Thu May 5	Day's change %	Wed May 4	Accrued interest	xd adj. ytd		Inflation 5% May 5	May 4	Yr. ago	Inflation 10% May 5	May 4	Yr. ago
6 Up to 5 years (2)	184.54	+0.20	184.17	0.45	2.53	Up to 5 yrs	3.51	3.58	2.73	2.57	2.63	1.91
7 Over 5 years (11)	176.76	+0.22	176.38	0.86	1.69	Over 5 yrs	3.58	3.59	3.59	3.40	3.41	3.41
8 All stocks (13)	176.69	+0.22	176.30	0.81	1.77							

Debentures and Loans	Thu May 5	Day's change %	Wed May 4	Accrued interest	xd adj. ytd	5 year yield May 5	May 4	Yr. ago	15 year yield May 5	May 4	Yr. ago	25 year yield May 5	May 4	Yr. ago
9 Debs & Loans (76)	130.93	+0.62	130.12	2.20	4.17	9.28	8.88	9.09	9.28	9.36	9.56	9.27	9.33	9.71

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 5	May 4	May 3	Apr 29	Apr 28	Yr ago	High*	Low*
Govt. Secs. (UK)	94.27	94.06	95.18	95.66	96.00	94.76	107.04	94.06
Fixed Interest	112.88	113.57	114.45	114.92	115.41	111.02	133.87	112.98

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 4	May 3	Apr 29	Apr 28	Apr 27
Gilt Edged bargains	95.1	86.0	86.0	115.1	116.6
5-day average	100.1	102.9	103.1	110.3	114.5

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 5

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury $6\frac{1}{2}$ 03	1000	$91\frac{3}{4}$	92	$+\frac{1}{8}$	7.81
United Kingdom $7\frac{1}{4}$ 97	5500	$103\frac{1}{2}$	$103\frac{5}{8}$	$+\frac{1}{8}$	5.87
Volkswagen Intl Fin 7 05	1000	$98\frac{1}{8}$	$98\frac{5}{8}$	$-\frac{1}{8}$	7.13
Abbey Natl Treasury 8 05 £	1000	$94\frac{1}{4}$	$94\frac{1}{2}$	$-\frac{1}{8}$	8.98
Alliance Leics $11\frac{1}{2}$ 97 £	100	$108\frac{7}{8}$	$109\frac{5}{8}$	$-\frac{1}{8}$	7.94

[illegible]

Board's support likely for SA retailer's plan to inject up to £60m

B&J counter proposal expected

By Andrew Bolger

Pepkor, the South African retailer, is expected today to offer to inject up to £60m into Brown & Jackson, which owns the troubled Poundstretcher chain of variety discount retailers.

The Pepkor offer is likely to be backed by the B&J board, which last month recommended acceptance of a rescue deal with the Weisfelds, the millionaire couple who created the What Everyone Wants discount clothing chain.

B&J shareholders are due to vote at an EGM on Monday on the plan for Mr Gerald and Mrs Vera Weisfeld to inject an initial £6m to meet the lossmaking group's immediate working capital needs, in return for a 19 per cent stake and two seats on the board.

However, Pepkor executives have continued talking to B&J and last night were still negotiating details of their counter-offer.

This would involve an immediate cash injection of up to £20m, in return for an eventual substantial shareholding. The deal is unlikely to involve any offer to existing shareholders.

Sources close to the talks dismissed a report that Pepkor would launch a hostile £50m bid and described the 8p per share mentioned as "far too high".

B&J's shares last night closed 1p higher at 6½p, valuing the group at £42m.

Pepkor is *Africa's largest* mass-market retailer. PEP, the group'e core business, sells to a predominantly black customer base.

Although its international presence has been hitherto restricted to Scotland, where it operates a number of outlets under the Your More Store name, it has been looking for further international acquisitions.

B&J has been struggling to recover since the £16m rescue rights issue which brought in new management in 1992. However, poorer than expected trading last Christmas led to a profits warning in January. In March the group announced losses of £12.7m for 1993, against expectations prior to the *warning* of a *£4m* deficit.

The Weisfelds' proposal was their first business venture since they unexpectedly left Amber Day, as WEW was then known, just eight months after selling the chain to Amber Day for £47m in 1990. Since then, the Weisfelds, who sold their 15 per cent stake in Amber Day for £11m, have devoted most of their time to charity work.

Mr Weisfeld was not surprised by Pepkor'e intervention, but said: "What do they know about British retailing? They are last-minute people, who have been flushed out by our bid. Where were they when the company was going bust?"

Lombard forced to cut float price

By Simon Davies

The impact of a falling UK stock market has forced Lombard Insurance to reduce its flotation price.

The company yesterday announced it will issue £33m of shares through a placing and intermediaries offer valuing it at £57m, compared with the initial target of "at least £65m".

At the issue price of 160p, the shares are being sold on a p/e of 9.3 and dividend yield of 6 per cent, based on the prospectus forecast of pro forma £6.2m profits for the year to June 1994.

Even at the reduced price, brokers said the reception bad been lukewarm, reflecting concerns over increasing competition in the insurance market, and the anticipated impact of weakening bond and equity prices.

Mr Andrew Laing, managing director, said there was no downward pressure on premiums, as "so much capacity went out in 1991 and 1992, that there is no appetite for competition for the sake of it".

Lombard will raise £16m after expenses and the redemption of preference shares. The management buy-out team, which purchased Lombard from its parent Continental Inc in May 1993 for £32m, will also be amply rewarded.

The shares begin trading on May 13.

● **COMMENT**

Lombard is focused on the lower risk portion of the general insurance market, and has taken no exposure to London, let alone the US. The management is confident that it offers limited risk at good time of the cycle, but Lombard is in the sector of the market where everyone wants to be, and competition is tightening. Having been reduced by 10 per cent, the issue price looks more attractive, but institutions have shown bittle appetite for the placing. The shares look set for a lacklustre debut.

Healthcall flotation price tag reduced to £58m

By David Wighton

The flotation valne of Healthcall, the doctors' deputising service, has been cut to £58m from initial estimates of £70m as the new issues market continues to cool.

The company is issuing fewer new shares than expected and the price is more than 10 per cent lower that hoped for last month.

Mr Maurice Henchey, chief executive, said: "Institutions liked the company, but they have been inundated with new issues. In the circumstances we did remarkably well."

He added that, with few existing shareholders selling, "the most important thing was to allow a lot of scope in the after-market".

He said pricing had not been affected by expected government moves to reduce the out-of-hours burden on family doctors.

The shares have been priced at 105p, equivalent to 14.9 times last year's earnings from the group's continued healthcare operations. The notional yield at the issue price is 4.8 per cent.

Shares valued at £31m are being placed with institutions by Morgan Grenfell, of which £7.8m can be clawed back via an intermediaries offer.

Applications must be received by James Capel, the stockbroker, by next Thursday, with dealings due to start on May 18.

● **COMMENT**

The last minnte price cut should help the shares get off to a good start, but there are some question marks over the *long-term growth prospects of* the core business. Healthcall already has almost half the potential duty doctor market, which bas been growing strongly over the past few years. More recently, revenue has been boosted by flu epidemics and rate increases. However, the government is keen to stem the rising bill for out-of-bours calls, a fair proportion of which could be dealt with more cheaply at 24-hour health centres. Healthcall already has five such pilot centres, but a big shift away from home visits could require significant capital investment with uncertain returns. The group is well-placed to capitalise on the trend towards community-based care and has moved into new areas such as eye-care services for residential homes. But these are currently too small to offset any *significant slow-down* in the core business.

Body Shop maintains recovery with £29.7m

By Maggie Urry

Body Shop International continued its profits recovery, yesterday reporting a rise at the pre-tax level for the year to end-February from £21.5m to £29.7m, more than reversing the decline of the previous 12 months.

The shares rose 20p to 234p.

Mr Gordon Roddick, chairman, said the current year had started well with "strong growth in all of our major markets". He also said the group planned to change its Memorandum of Association "to crystallise the principles and values of our business".

He said this would mean that if the company was run at some future date by people with different business ethics shareholders would "have a hook to hang them on". He stressed this did not mean he and Mrs Anita Roddick, managing director, had any less commitment to remaining with Body Shop.

The figures went soma way to allaying investors' fears that Body Shop was failing to counter competitive pressure in its home market. Comparable store sales in the UK were level in the year, after a fall of 6 per cent last time.

Further, the growth in international profits reduced the UK's contribution to group operating profits to under 38 per cent.

During the year the group opened 6 shops in the UK, taking the total to 239, out of a group-wide increase of 153 to 1,053 shops.

Group turnover rose 16 per cent to £195.4m, while total retail sales, including franchisees' sales, were *18 per cent* higher at £438.2m. Operating profits rose 24 per cent to £30.1m (£24.3m) and there was also a £1.1m profit on the sale of the 65.6 per cent stake in Eastwick Trading, which operates sbops in the *Benelux* countries and Austria.

Gordon Roddick: strong growth in all major markets

Interest charges fell from £2.8m to £1.5m as debt was reduced from £28.5m to £11.8m, giving gearing of 12 per cent.

Operating profits in the UK rose from £11.2m to *£11.4m. In* tha US, profits were ahead from £2.1m, a figure depressed by the £1.3m cost of moving the head office, to £6.2m. The rest of the American region was flat at £2.4m. In Europe profits rose from £5.7m to £5.9m, while Asia, improved from £1.8m to £2.4m. Profits from Australia and New Zealand were ahead from £1.1m to £1.8m.

Earnings per share, excluding the profit on the Eastwick sale, were 36 per cent higher at 10.1p. A final dividend of 1.25p is proposed to give a total of 2p (1.7p).

● **COMMENT**

These results should have con*founded some* of Body Shop's critics. True, UK profits are unlikely to grow more than pedestrianly in future, but the rise in US profits, for instance, shows what the group can achieve overseas when it *reaches* tha desired "critical mass". Further, Body Sbop's revamped management team has tightened up the business, and the investment in recent years in new production facilities is beginning to pay off. On a *forecast* of £33.5m pre-tax this year, the prospective p/e is just under 20. The rating is nothing lika it bas been at times in the group's 10 year stock market history, but is justified by current growth prospects.

JIB's Swiss link forms new Lloyd's agency

By Richard Lapper

JIB Group, the insurance broker in wbicb Jardine Matheson has a majority stake, is to join forces with Swiss Bank Corporation to form a new independent Lloyd's members' agency – Jardine Lloyd's Advisers.

The business, which will have an initial paid up capital of £1m, will take over and develop the business of Jardine Limited, JIB Group's existing members' agency.

Jardine Limited, one of the larger independent agencies at Lloyd's, handles the affairs of Names whose underwriting capacity amounts to £294m.

Jardine Limited will receive all profit commissions relating to the transferred capacity for underwriting years of account up to and including 1998.

The parties will subscribe equally for their shareholdings in the new company, with 15 per cent of new capital available for management participation by way of subscription and options.

Capitol raising £1.5m via 3m share placing

By Simon Davies

Capitol Group, the specialist security company, has placed 3.2m shares at 125p through sponsors *Granville Davies;* dealings in its shares will commence on May 17.

The company, capitalised at £11.5m, provides a range of security services, including fraud investigation, and port and ferry security.

Capitol has raised £1.5m from the placing, which will be used to fund strategic acquisitions.

In addition, Mr Ken Dulieu, the founder, will receive £2m of the proceeds, reducing his shareholding from 85 per cent to 59 per cent.

The shares are being issued on an adjusted p/e ratio of 15.1, based on profits of £1m for the year to March 1994.

Mr Dulieu said that the port and ferry business had been the main source of earnings growth in the past two years, but this was now being overtaken by the increase in fraud investigation work, particularly in the City.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bank of Scotland ......fin	3.18	July 12	2.8	5.05	4.57
BMSS § ......fin	1.5	July 6	3	3	3
Body Shop Intl ......fin	1.25	July 14	1.02	2	1.7
BP ......int	2.5‡	-	2.1	-	8.4
CSC Inv Tst ......fin	4	June 24	2.5	5.5	4
Finsbury Growth ......int	0.9	June 10	0.9	-	2.9
Forward Group § ......fin	3†	July 1	2	5	3.3
Greenway ......fin	1.5	July 4	nil	1.5	nil
Highcroft Inv ......fin	3.3	July 2	3.1	5.2	4.9
Rademec ......fin	1.2	July 7	1	1.7	1.5
Titon § ......int	1.4	July 1	1.3	-	4.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡First interim.

Hamleys allocations

By Neil Buckley

Hamleys, tha leading toy retailer, said yesterday the intermediaries offer element of its flotation was 3.76 times subscribed, and applications had been scaled down. Dealings in the shares begin today.

More than 3.6m shares were available under the offer, but the company said it had received applications for more than 13.6m.

Some 21,500 shares were allocated to preferential applicants, with applications satisfied in full. Intermediaries who made valid applications were allocated 26.48 per cent of the shares they applied for.

A price of 185p a share valued *Hamleys* at a *higher-than-*expected £42.3m.

Norcor set to reduce debt through listing

By Peggy Hollinger

Norcor, the corrugated board maker, is aiming to eliminate a *£19.2m* deficit on *shareholders'* funds with a proposed flotation later this month which will value the Norwich-based group at about £40m.

The pathfinder prospectus, published yesterday, showed Norcor with net debt of about £35m – including some £22m in loan notes. Bank debt of £9.3m was rescheduled last month to be repayable on flotation.

Norcor expects to raise between £17m and £20m from the flotation to pay the debt and fund between £4m and £8m in working capital. One of its production lines is to be refurbished from the proceeds.

A further £18.5m in shares will be issued to satisfy loan note obligations. *The* balance of loan note holders – representing £3.55m in debt – are due to be repaid in 1995.

Norcor has faced a number *of difficulties since the £32m* management buy-out in 1989. It failed to meet profit targets and was refinanced in 1991, while two of the past three years' accounts were qualified by accountants. The group had been capitalising its goodwill, without any provision for amortisation. Accounting practises have been changed in the run-up to flotation, and the figures for 1993 were unqualified.

Earnings per share for 1993, excluding an exceptional insurance gain, fell from 16.7p to 14.6p. Analysts are expecting pre-tax profits of more than £4m this year, before exceptional items. Last year the group made operating profits before exceptionals of £3.85m.

Greenway back in the black with £2.77m

Greenway Holdings, the waste oil recycling business formerly known as Kingston Oil & Gas, reported pre-tax profits of £2.77m for the 15 months to end-March.

The outcome compared with a deficit of £4.11m for the previous 12 months, struck after an exceptional provision of £4.49m against the carrying valne of its investment in its discontinued US oil and gas operations.

The company bas changed its year end to tally with that of the DCC Group, its principal shareholder.

Turnover for the 15 months totalled £11.3m (£6.1m) and inclnded £701,000 (£1.58m) from discontinued operations.

Earnings per share emerged at 14.54p (31.44p losses) and a final dividend of 1.5p (nil) is proposed.

COMPANY NEWS: UK

Purchase gives fillip to Wassall shares

By David Wighton

Supporters of Wassall, the conglomerate whose acquisitive ambitions have been thwarted in recent years, have waited a long time for yesterday's big deal. Expectations were extremely high and they were not disappointed.

Wassall's shares rose 18p to a new high of 320p as the acquisition met with universal approval from the company's followers.

Mr Paul Beaufrere, analyst at James Capel, the broker, summed up: "If you had put down on paper everything that Wassall wanted from a deal you would come up with this."

Mr Chris Miller, chief executive, said it closely matches Wassall's six main acquisition criteria.

● Established markets. General Cable serves three main markets in electrical, telecommunications and consumer cables. It is among the market leaders in both the electrical and consumer sectors, which generate two thirds of its sales and are growing steadily.

In telecommunications it makes the heavy duty copper cable that connects telephone exchanges – now almost entirely a replacement market following the introduction of fibre optic cable – and is a smaller player in the fast-growing data transmission market.

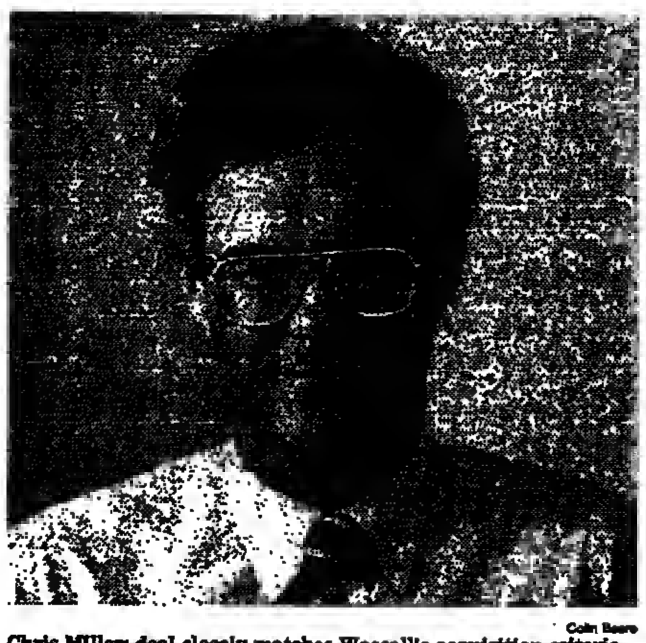
● Everyday products. General Cable makes mainly low-technology products which find their way into most American homes, cars and offices. Its products have a high copper content – it is thought to be the biggest purchaser of copper in the US – and relatively little labour content.

This makes it relatively immune to import threats, since the transport costs are high and the savings to be had by using cheap non-US labour are modest.

The group makes more than 10,000 different products and Mr Miller said it was "inconceivable" that they were all profitable. "But they do not have the information available to tell." Introducing such systems will be one of Wassall's first tasks.

● Asset-backed. Wassall is paying $269.8m (£180m) for net assets valued at $331m at the end of 1993. The purchase price is less than General Cable's $320m of inventories and receivables. "The copper inventory is simply far too high, with partly-worked copper lying about all over the place."

● Potentially cash-generative. "It is not cash generative at the moment, but it very shortly will be," said Mr Miller, pointing to the company's high depreciation charge.



Colin Beere

Chris Miller: deal closely matches Wassall's acquisition criteria

● Poor relative performance. General Cable made an operating profit of just $2.3m on sales of $763.5m last year, compared with a loss of $32.9m on sales of $800.8m the previous year.

Although most of its markets have been hit by recession, Mr Miller says this is poor even by the standards of an industry which is "not particularly well run". Some of General Cable's competitors in the low added value markets are already making margins of over 5 per cent while General Cable's figures for the first quarter of this year show margins recovering to 2.7 per cent on sales up by more than 10 per cent to $191.8m.

Mr Miller said he would be "amazed" if it was ever a 10 per cent margin business but added: "Even if we only get it up to industry standards then it will be a pretty good deal." It has 22 factories "not producing at anywhere near capacity, which are where they are for distant historical reasons".

● History of under-investment. Until it was partially demerged in 1992 General Cable was wholly owned by American Premier Underwriters, a privately-held financial services group which ran it for cash.

"The managers were not allowed to spend any money with more than a two-year payback," said Mr Miller, who stressed that the capital investment needs were "tens of millions of dollars, rather than hundreds of millions".

Blagden calls for £26m to help pay off borrowings

By David Blackwell

Blagden Industries, the steel drum maker hit by recession in continental Europe, yesterday announced a 5-for-9 rights issue to raise almost £26m net of expenses.

The group is proposing to issue up to 25.86m new ordinary shares at 105p a share. The shares closed 2p lower yesterday at 130p.

The issue was well flagged at the end of March, when the group passed its final dividend after diving £10.6m into the red for 1993. The losses, which included £13.3m of exceptional items and interest of £3.23m, breached the interest cover covenant with the group's main lender.

Part of the proceeds of the rights issue will be used to pay off £10m of the debt with the main lender, which has conditionally agreed a replacement unsecured facility up to January 1996.

Blagden said the rest of the proceeds would go initially towards reducing outstanding bank borrowings across the group. In addition, it is expecting shortly to enter into a formal agreement for the sale of its plastics packaging businesses for £6.8m.

Mr Richard Searle, who became chief executive seven weeks ago, said yesterday that group gearing would fall from above 80 per cent to about 25 per cent following the issue.

The strengthening of the balance sheet would put Blagden in a position to finance the strategic development of its chemicals and protective equipment divisions.

The group warned that there had been no significant changes in its main markets in the first four months of this year.

The rights issue is fully underwritten by NM Rothschild and brokers are Panmure Gordon.

● **COMMENT**

The rights issue will bring much needed relief from financial pressures, which will give the group breathing space to choose its own route forward. There is plenty of room for better margins in the packaging division – the rest is up to the new chief executive and his team. If they succeed in creating a more balanced company built around the mature steel drum business – a good cash cow – Blagden could become a much more exciting bet than it has been for some time.

EuroDollar set for £100m summer float

By Andrew Bolger

EuroDollar, the UK's second-largest short-term car rental company, plans to come to the market this summer through a placing and public offer which is expected to value it at more than £100m.

EuroDollar has about 10 per cent of the UK market, compared with Avis's estimated share of 14 per cent.

About 77 per cent of EuroDollar's revenue comes from corporate customers. Its UK fleet of more than 12,000 vehicles operates from 104 branches.

EuroDollar has a master franchise agreement with Dollar, the US car rental company, which grants EuroDollar a perpetual licence to operate an international rental network in 33 countries.

Last August EuroDollar was the subject of a £118m management buy-out from TSB Group, which was backed by Prudential Venture Managers.

The company was established as Swan National in 1973 by UDT, the credit financing business which was bought by TSB in 1981.

Swan National was relaunched in 1989 as EuroDollar, to reflect its growing international strategy. It is now the fifth largest vehicle rental company in the world.

Mr Freddie Aldous, EuroDollar's chairman, set up the original business in 1973 and led last year's 11-strong MBO team.

He said: "We believe that now is the right time to obtain a listing to establish a sound financial footing for the long-term development of the group."

The issue will be sponsored by Schroders, with Warburg Securities acting as broker.

COMPANY NEWS: UK

MEPC pays £67m for Midlands properties

By Vanessa Houlder, Property Correspondent

MEPC, the quoted property company, has bought a £67m portfolio of office and industrial properties in the Midlands from the Richardson Group, a private property company.

It is also negotiating with John Laing, the construction company, about acquiring Castlecourt, a Belfast shopping centre.

The 14 properties being acquired from Richardson total 1.75m sq ft of space and range from industrial estates to newly erected government offices at the Waterfront, Merry Hill, West Midlands. The overall yield was 9.5 per cent.

Two properties in the portfolio are under construction, namely the St Chads office development in Birmingham and the Waterfront Business Park at Merry Hill. The final price will be determined by the letting of these properties.

MEPC said the acquisitions gave it an interesting mixed portfolio to which it believed it could add value.

Richardson said it intended to sell more investments this year, to "take full advantage of the current buying interest in investment properties".

In a separate announcement, John Laing said it had received a number of unsolicited offers for Castlecourt. It is pursuing exclusive negotiations with MEPC.

● Hanson Properties has sold a portfolio of properties for £85m to O&H Properties, a subsidiary of O&H Holdings, a privately-owned development company, based in Hammersmith, west London.

The portfolio, which is spread across England, Scotland and Wales, is composed of office buildings (57 per cent) and shopping centres (38 per cent) together with some warehouses (5 per cent).

Hanson said it was disposing of the portfolio as part of its general strategy of selling properties that had been acquired with large acquisitions.

About £30m of the initial consideration – which represents the approximate net asset value of the properties – is in guaranteed deferred notes.

The deal was funded by GE Capital, a subsidiary of the General Electric Company, which has provided structured finance that included a share in the equity appreciation of the properties.

Acquisitions behind 64% increase at Forward Group

By Paul Cheeseright, Midlands Correspondent

Forward Group, the specialist circuit board and chemicals manufacturer, raised annual profits by 64 per cent, helped by the first contribution from Central Circuits, a Telford-based company purchased from the receiver in February 1993.

Over the 12 months to January 31, pre-tax profits improved from £1.23m to £2.02m. Acquisitions contributed £5.6m to turnover which jumped to £20.7m (£12.5m), and £595,000 to operating profits of £2.23m (£1.44m).

The purchase of Central Circuits widened Forward's manufacturing base, although it has temporarily taken the group closer to the mass market for circuit boards and diluted turnover of its usual specialist low volume, high value business.

Looking at the group's main markets, Mr Ray Chamberlain, chairman, said there had been some improvement in the electronics industry, but that telecommunications was more of a growth area than military business. The group's business with medical customers was also growing.

Earnings per share rose from 11.06p to 16.71p. The proposed final dividend is 3p, bringing the total to 5p (3.3p).

Mercantile & General Re swings back into the black

By Richard Lapper

Mercantile & General Reinsurance, the reinsurance subsidiary of the Prudential, yesterday returned to the black.

Pre-tax profits of £104m were achieved for 1993, against losses of £45m last time, despite a £49m strengthening of reserves against claims from business underwritten in prior years.

"The results have clearly benefited from our policy of profit before volume," said Mr John Engestrom, group chief executive. M&G Re reduced its exposure to general reinsurance following heavy catastrophe claims in recent years.

As a result, general reinsurance premium income fell from £409m to £332m, although the fall was less steep than the company envisaged a year ago owing to rate increases in many areas of the international market. The rate rises helped this segment of the business report profits of £5.6m (£143.5m losses).

In contrast, the group increased its premium from life reinsurance, in which it is an international market leader, to £765m (£613m). Life profits amounted to £73m (£67m).

Expansion in the life area was focused in the North American medical expenses market.

Extra reserves were needed to meet claims from past catastrophes and marine reinsurance liabilities incurred on policies underwritten in prior years. An extra £9m was set aside to meet claims relating to asbestos and pollution.

The shareholders' operating result – investment income plus "smoothed" capital gains – amounted to £25.6m (£31.5m).

NEWS DIGEST

Polypipe expands in Europe

Polypipe, the manufacturer of plastic pipes and fittings, has gained entry to several European markets via the acquisition of Janoplast for an initial FFr84m (£9.83m) cash.

Further consideration to a maximum of FFr3m will be payable in two instalments providing Janoplast's net assets at completion are at least FFr55m.

The deal is Polypipe's first European purchase and gives the group a manufacturing and distribution base in mainland Europe and takes it into the French, German, Benelux and eastern European markets.

Chartwell

Dealings in Chartwell Group, the manufacturer of carpet tiles and toilet cubicles, were suspended at 48p yesterday at the company's request "pending shareholder approval of a proposed substantial acquisition, the terms of which are currently being finalised".

Chartwell has been linked recently with Sir Tim Bell, and his Lowe Bell public relations company. There has been speculation that Lowe Bell could be seeking a listing by reversing into Chartwell.

Emap purchase

Emap, the media group, is to acquire FHM – a monthly men's style and general interest magazine – from Tayvale for an undisclosed sum.

Mr Tom Moloney, managing director of Emap's consumer magazine division, said that FHM – which has an ABC figure of 76,541 – would enhance the company's portfolio of successful male-oriented magazines and fashion titles.

Castle Comms

Castle Communications, through its Castle Copyrights subsidiary, has agreed to buy the rights to the Solar catalogue of master recordings, excluding the US, Canada and Africa, for $2m (£1.3m) cash.

The Solar catalogue comprises some 400 soul, dance and disco tracks performed mainly by black American west coast artists, and is owned by Sound of Los Angeles Records.

Co-op societies in merger proposal

By Neil Buckley

Co-operative Retail Services, the second largest co-operative retailer in the UK, yesterday launched a new proposal for a merger with the largest, Co-operative Wholesale Society, to create a significant retailing force.

The combined societies would have annual turnover of more than £3bn – about 75 per cent from grocery sales – making them the UK's seventh largest retail group.

The latest of three attempts to merge the groups foundered in 1990 when they failed to agree on the structure of the board. But as the CRS published a new merger manifesto, "The Time is Right", both groups said they were hopeful.

"There is a tangible will within both societies to make it happen," said Mr Harry Moore, CRS chief executive.

The CWS responded that it was on the record as supporting a merger.

"If the CRS and its members are enthusiastic and convinced of the case, we welcome that."

The CRS move came as it revealed a small increase in its pre-tax surplus for the year to January 29 to £26.7m, against £25.9m which excluded a £22m exceptional gain from the sale of its dairy business.

Turnover fell 6 per cent from £1.36bn to £1.27bn, but adjusting for the dairy disposal, sales fell 0.7 per cent.

Mr Moore said this was a "resilient performance" amid tough competition in the grocery market and given that the previous year was 53 weeks. He added that the CRS, which includes the Pioneer, Leo's and Stop & Shop formats, had held market share and increased gross margin – in contrast to many grocery groups – through better buying and adjusting the product mix.

However, Mr Moore warned that co-operative retailers faced the threat of being squeezed between discounters and "premium chains". A merger was vital if they were to fight back.

Failure to achieve that "could signal the end of the Co-op as a serious national retail force".

The benefits included cost savings, increased financial strength for investment and development, doubled purchasing power, and the ability to compete nationally with cohesive marketing campaigns.

The main issue, as in 1990, will be achieving the correct balance on the board between individual members and the CWS's corporate members, which include CRS itself and regional co-operative societies which have joined the CWS in recent years.

Mr Moore said changes in the structure of both groups since 1990 increased the chances of agreement.

Greencore makes £2.5m Belgian buy

Minch Norton, the malting subsidiary of Greencore Group, has agreed to acquire the malting business and assets of HDM Group, a Belgian company which is in receivership.

The consideration will be BFr130m (£2.5m).

Aerostructures expects £26m from flotation

By David Blackwell

Aerostructures Hamble Holdings, the former British Aerospace aircraft components subsidiary, expects to raise about £26m net of expenses when it comes to the market this month.

The pathfinder prospectus, published yesterday, said the money would be used, alongside a new £10m unsecured revolving credit facility, to repay £35m of debt incurred during the £47.6m management buy-out in 1990. It will be raised through a placing and intermediaries offer.

Aerostructures Hamble, which occupies the site near Southampton where Sunderland flying boats were built, made operating profits of £7.89m on turnover of £70.4m in 1993, compared with profits of £7m on turnover of £71.3m in 1992. The pathfinder puts pro forma pre-tax profits for 1993 at £5.6m, after allowing £2m for restructuring.

The charge will cover the cost of shedding a further 200 jobs this year. At the end of December the workforce had been reduced from 2,000 at the time of the buy-out to 1,635.

The company, which is expected to be valued at more than £70m, depended on BAe for 93 per cent of its business in 1990, but reduced that to 78 per cent last year.

Mr Andy Barr, chief executive, said new orders already won, including a substantial contract from Boeing for wing parts for the 737-700, would reduce the level further this year. He described the broadening customer base as "blue chip".

The senior management, all with experience at Rover Group, is implementing Japanese techniques learnt in the car business but not previously used in the aircraft industry.

Mr Barr said that margins had improved from 8.9 per cent to 11.3 per cent in three years, and he was seeking continuing improvements.

The management, including Mr Barr who has a 14.8 per cent stake, will be selling some shares. Legal & General Ventures Partners, the largest institutional holder, with 36.7 per cent, is also likely to sell some of its investment.

The flotation is sponsored by NM Rothschild and the broker is Smith New Court.

London Capital to get £150m valuation

By Simon Davies

London Capital Holdings, the property investment company owned by Citibank, will offer up to £104m of new shares in a flotation, valuing the company at close to £150m, a small discount to its net asset value of £160m.

Citibank will sell between 65 per cent and 70 per cent of its shares, while LCH – the former Randsworth Trust property portfolio – will raise a further £15m from new shares.

The value of LCH's 14 properties increased by 7.25 per cent to £244.8m between December and mid-April. Management is optimistic that with limited new property coming on stream before 1996, the outlook for property values in London's west end remains positive.

According to James Capel, the brokers, vacancy rates in the west end are expected to fall from 8.7 per cent in March 1994 to 2.5 per cent by March 1996, and prime rents should rise 30 per cent by the end of 1995.

However, the outlook for property flotations has become less rosy since LCH announced its intention to float. The sector's premium to asset value has all but disappeared, while the company will have to compete with a number of property flotations, including Argent and Pillar.

LCH has recently signed a £100m loan facility from HSBC, and will have gearing of less than 50 per cent. Mr Nigel Kempner, joint managing director, said he would be happy to see gearing rise to about 70 per cent.

The shares will be offered through a placing and public offer, sponsored by Baring Brothers. The pricing will be announced on May 25.

Vymura resists slide with £39m placing tag

By David Wighton

Vymura, the wallcoverings group which was originally part of ICI, has resisted the slide in new issue pricing and is to be valued at £38.6m via a placing price of 150p.

Mr David Simpson, a director of Barclays de Zoete Wedd, Vymura's sponsor and financial adviser, said the price was exactly as planned when the flotation was first announced six weeks ago.

"We have been seeing some softening of prices but there is still an appetite for quality new issues."

He added that in Vymura's case there was a comparable quoted company, Fine Decor, whose share price has not weakened in the past few weeks.

The placing price represents 14.5 times last year's earnings per share.

The notional yield is 3.7 per cent, slightly higher than Fine Decor.

BZW is placing a total of £24.1m of shares, raising a net £10m for the company.

Just over half the new money will be used to repay preference shares held by institutions that backed a management buy-out in 1992.

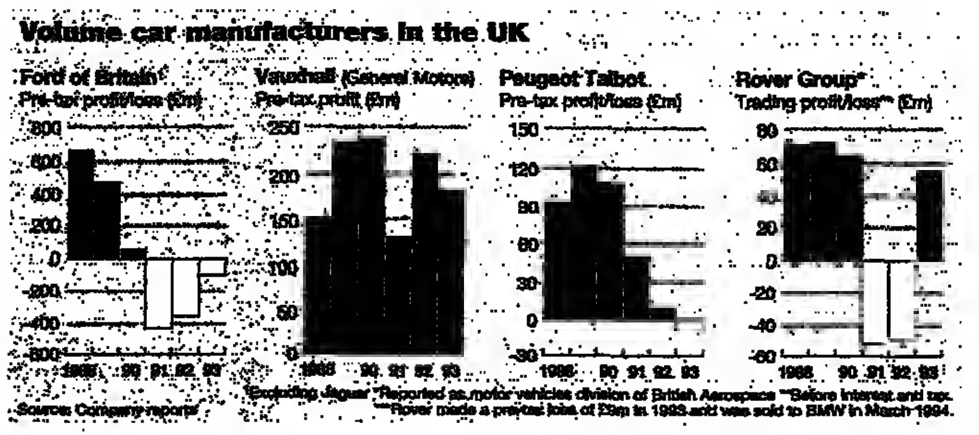
UBS are brokers to the issue. Dealings are expected to start next Thursday.

COMPANY NEWS: UK

After three years of successive losses UK carmaker looks set to return to the black

Ford of Britain cuts deficit to £92m

By Kevin Done, Motor Industry Correspondent



Source: Company reports. *Excluding Jaguar *Reported as motor vehicles division of British Aerospace **Before interest and tax. ***Rover made a pre-tax loss of £9m in 1993 and was sold to BMW in March 1994.

Ford of Britain, the leader of the UK new car market, suffered a third successive year of heavy losses in 1993 (excluding Jaguar) and reported the worst financial performance of any of the leading carmakers in the UK.

It reduced its pre-tax loss to £92m, however, from a deficit of £353m in 1992 and a loss of £430m in 1991 (excluding Jaguar).

Ford claimed yesterday that it was on the road to recovery and had performed better than expected so far this year, helped by the growing strength of the UK new car market.

It is understood that Ford of Britain returned to profit in the first quarter this year, and it is expected to achieve a significant profit for the whole of 1994.

The UK arm's pre-tax losses, which have totalled £875m in the past three years – excluding Jaguar, the UK luxury carmaker, which is owned directly by the Ford parent company in the US – contrast sharply with the robust profits earned throughout the recession by Vauxhall, the UK subsidiary of General Motors and Ford's chief rival in the UK.

Vauxhall's pre-tax profits fell by only 17 per cent last year to £185.1m, and it has earned total pre-tax profits of £780.5m in the past four years.

Among the other volume carmakers in the UK, Rover Group, which was taken over by BMW of Germany in March, suffered a pre-tax loss of £9m last year, but it achieved a considerable turnround at the operating level with a profit before interest and tax of £56m, compared with a deficit of £49m a year earlier.

Peugeot Talbot, the UK subsidiary of the PSA Peugeot Citroën group of France, has suffered a continuous decline in profitability for the past four years and fell into a pre-tax loss of £8.7m last year, from a profit of £10.2m in 1992 and a peak profit of £123m in 1989.

The reduction of Ford of Britain's pre-tax loss last year was helped by one-off gains from the disposal of Ford Credit and Aston Martin to tha Ford US parent company.

Without these moves the pre-tax loss would have been £136m. Ford of Britain's automotive operations had an operating loss last year of £114m compared with a loss of £237m in 1992. Turnover declined slightly to £5.33bn (£5.38bn).

Ford of Britain, traditionally one of the most profitable parts of the Ford group worldwide before it plunged deep into loss during the UK recession, has been forced into a drastic restructuring with heavy cuts in its workforce and a big reduction in the manned capacity of its British plants.

The workforce of the core Ford of Britain automotive operations had been cut to 30,400 by the end of 1993, from 34,200 a year earlier and 39,000 at the end of 1991.

Its share of the UK new car market has been under heavy attack, not least from Vauxhall.

Ford's new car sales in the UK rose by 8 per cent last year to 381,671, but it under-performed the market in which overall new car sales increased by 11.6 per cent.

Its UK new car market share fell to 21.5 per cent, its lowest level for more than 20 years. Its share has been gradually eroded from a peak of just over 30 per cent in the early 1980s.

By contrast Vauxhall has doubled its market share since the beginning of the 1980s, from 8.6 per cent in 1981 to 17.1 per cent last year, while the PSA Peugeot Citroën group has also made big inroads, increasing its UK market share to 12.6 per cent last year from only 5.4 per cent 10 years ago.

Ford's problems in the UK were compounded last year by the collapse of its car exports to continental Europe, which fell to only 11,600 from 74,900 a year earlier, as west European new car sales suffered their steepest fall of the post-war period.

Its overall vehicle exports, *including commercial vehicles*, dropped to 82,000 from 162,000 in 1992 and 214,000 in 1991.

The total output from its three vehicle assembly plants at Dagenham, Halewood and Southampton fell by 13 per cent to 391,100 (449,600). Engine production at Dagenham fell to 399,713 (567,424), while engine output at Bridgend dropped to 472,231 (510,052).

The assembly plants worked at only 63 per cent of installed capacity last year compared with 71 per cent in 1992.

As production was cut back to keep pace with falling exports, Ford had to cut a total of 145 shifts at the vehicle assembly plants – 61 at tha Transit van plant at Southampton, 54 at the Fiesta small car plant at Dagenham, and 30 at the Escort plant at Halewood.

The decline in exports of cars and components cut the value of Ford of Britain's total exports to £1.7bn from £2.2bn a year earlier. It has had a balance of trade deficit for the past 13 years, and the deficit increased substantially last year, although Ford refused to disclose details.

Positive outcome for Chiroscience drug trial

By Daniel Green

Chiroscience, the Cambridge biotechnology company, has had positive results from its first set of clinical trials since its flotation in February.

The phase one trial was conducted on 14 young, healthy male volunteers and compared Chiroscience's purified form of an existing anaesthetic with the established version. The purified version "demonstrated that it has a higher tolerability", said Mr John Padfield, chief executive. "It also demonstrated its efficacy."

Chiroscience purifies drugs that are sold as a mixture of two virtually identical chemical structures. By separating the two structures it hopes to eliminate one that produces more side effects ur is less effective.

The approach should also cut the time taken for a drug in trials to be approved because much of the work needed for approval has already been done with the mixture.

The trials were on a purified version of the long acting local anaesthetic bupivacaine called levobupivacaine. It is usually used for women in childbirth as an epidural.

Mr Padfield said that independent industry figures showed the global market to be worth about $100m (£68m) a year. It is supplied in the UK by Astra, the Swedish company, under the brand name Marcain. However, the potential market for levobupivacaine is substantially greater than this given "improved safety profile and possible additional indications such as cancer pain," said Mr Padfield. "Levobupivacaine also has potential applications in day surgery where a safer, long-acting agent could encourage an increased number of long surgical procedures to be carried out under regional rather than general anaesthesia," he said.

NEWS DIGEST

Lower costs put BMSS in black

BMSS, the USM-traded timber and building materials merchant, benefited from reduced distribution and administrative costs and lower interest charges and returned to the black in the 12 months to January 31.

The pre-tax outcome – £314,139 against losses last time of £95,498 – came on turnover marginally down at £14.9m (£15.2m) and was struck after a £284,000 reduction in distribution and administrative costs to £4.34m. Interest payable declined to £184,418 (£306,360).

Gearing at the year-end stood at 29 per cent (24 per cent), reflecting the acquisition in December of Price & Brown, a heating and plumbing operation.

A proposed final dividend of 1.5p maintains the total at 3p; earnings per share were 3p (losses of 0.7p).

Radius makes good start to this year

Shares in Radius, the USM-traded computer systems and maintenance company, jumped 4p to 34p yesterday after Mr Mike Roberts, chairman, told the annual meeting that trading in the first three months of 1994 had shown a marked improvement over the comparable period.

In the 13 months ended December 31, the company incurred a pre-tax loss of £1.17m (£1.23m profit for 1992).

Seafield in discussions

Seafield, the Dublin-based transport, warehousing and property company, said yesterday that it was in talks with Imari that may or may not lead to a merger of the two companies.

It was not expected that such a merger would involve a general offer to Seafield shareholders. A further statement would be made within the next two weeks.

Westminster Scaffolding

Poor trading conditions and low margins were cited by Westminster Scaffolding Group as the reasons behind deepening losses for the 14-months to December 31.

The pre-tax deficit amounted to £4.23m, against £2.46m for the preceding 12 months, and was struck on turnover of £5.72m (£6.18m). Losses per share came out at 7.9p (8.6p).

Finsbury Growth net asset value improves

Finsbury Growth Trust had a net asset value of 125.4p per share at March 31, up from 112.9p at the September year-end and 102.9p at end-March 1993.

Mr Michael Reeve, chairman, said the 11 per cent advance in value over the last six month period outperformed both the trust's benchmarks – the FT-SE 100 end the FT-SE-A All-Share – which rose 1.6 per cent and 3.7 per cent respectively.

The trust saw net revenue improve to £504,000 (£455,000) in the six months to end-March, equivalent to earnings of 1.1p (1p).

The interim dividend is maintained at 0.9p.

Highcroft Inv net assets increase 13%

Highcroft Investment Trust reported net assets per share up 13 per cent to 314p at the end of 1993, against 277p a year earlier.

After-tax profits climbed from £643,000 to £748,000 in the year. Earnings were 15.9p (14p) including gains on disposals of assets, or 13.8p (11.8p) excluding the same. The final dividend is 3.3p for a total of 5.2p (4.9p).

Credit lifts Regent Corp to £5.1m

Regent Corporation, the property developer formerly known as Nouvelle, returned pre-tax profits of £5.15m for the year to end-March. The figure included a credit on voluntary arrangements totalling £4.8m.

The company was transformed over the year and comparisons are not meaningful. For 1992-93 there was a pre-tax deficit of £3.91m after taking account of disposal losses of £3.69m.

For 1993-94 pre-tax profits of continuing activities amounted to £606,000. That mainly reflected the merger of the Regent housebuilding business in 1993 together with subsequent acquisitions.

Basic earnings on continuing operations emerged at 2.35p. There is again no dividend but the directors anticipate being able to resume payments in the foreseeable future.

Sales totalled £3.15m. Year-end gearing stood at 53 per cent but had been reduced to nil by yesterday.

Aminex pins hopes on Russian link

Aminex, the Irish oil group, reported increased losses in 1993, reflecting substantial administration expenses and the costs of its failed bid for Tuskar Resources.

On sales from continuing operations little changed at I£281,702 (£274,300), losses before tax deepened to I£135,200 (I£66,307).

General and administration expenses rose to I£217,808 (I£139,692). An exceptional item of I£82,675 related to Tuskar. Losses per shara wera unchanged at 0.01p.

Aminex hasinvested $4.68m (£3.2m) in a joint venture with Komineftj, a state-owned oil production company in the Komi republic of the Russian Federation. Production from the Amkomi project has been raised to some 2,200 barrels per day and further increases are planned.

Aminex expects the Russian output to dramatically boost turnover this year.

Radamec drops to £710,000

Radamec Group, the electronics and precision mechanical engineering concern, suffered a fall in pre-tax profits from £832,000 to £710,000 in 1993, on unchanged turnover of £11.9m.

Attributable eernings dropped from £841,000 to £655,000, equivalent to 8.6p (4.6p) per share. The final dividend is 1.2p for a total of 1.7p (1.5p).

Gearing rose to 24 per cent (20 per cent) on net borrowings of £1.24m (£967,000).

Titon declines to £1.01m

Profits of Titon Holdings, the USM-traded building products maker, declined from £1.05m to £1.01m pre-tax over the six months ended March 31.

Turnover axpanded from £5.69m to £5.83m. Earnings per share emerged at 6.21p (6.49p) and the interim dividend is lifted to 1.4p (1.3p).

Precious metals seen past their 'best buy' dates

By Kenneth Gooding, Mining Correspondent

The precious metals price forecasting season is under way as analysts put their gold, silver and platinum market predictions up for inspection.

Ms Rhona O'Connell at T. Hoare and Company, in a special report on the silver market, suggests this "is now one of the most dangerous metals in the non-ferrous sector and carries with it a large Wealth Warning". Prices may rise, she points out, but "disillusioned liquidation, or mere profit-taking into a rally, can send prices spinning down again, usually faster than they rose".

While the underlying fundamentals of the silver market are improving, prices will not be sustained for long above $6 a troy ounce, Ms O'Connell suggests.

She sees prices moving between $4.50 and $6 an ounce this year and next with an average of $5 for each year.

Stocks of silver in the US alone stand at 36 weeks of supply, which would take some three years to whittle down to a more manageable eight-week level even though the annual supply deficit is forecast to increase from last year's 128m ounces to 137m this year and 150m in 1995.

Mr Andy Smith at Union Bank of Switzerland suggests all the precious metals probably achieved in the first quarter their highest prices for 1994 as a whole.

He points out that in the January-March period US interest rates were at their lowest level in 30 years and this coincided with a weak dollar and concerns over precious metal supplies, especially supplies of platinum from South Africa.

He warns that many of gold's emerging markets are losing their promise. Low oil prices are affecting Saudi Arabia's purchasing power and several Middle Eastern countries may suffer economic dislocation because of the rise in Islamic fundamentalism. The lack of pensions provision in China, South Korea and Singapore may cause personal gold hoards to be sold by an ageing population.

Silver's price, which reached $5.75 an ounce in the first quarter, is forecast by Mr Smith to be down at $4.50 an ounce in three months time and back up at $5 in 12 months. He expects platinum, which reached $418 an ounce in the first quarter, to perform in a similar way, falling to $360 an ounce in three months and recovering to $390 in a year.

Gold, which has been up to $395 an ounce in the first quarter, is predicted by Mr Smith to fall to $350 in three months and recover to $390 in a year's time.

Meanwhile, at the CPM Group, based in New York, Mr Jeffrey Christian, managing director, says gold may be at the start of a major cyclical upward move. Private investment demand in gold began to revive sharply in the last four months of 1992, he recalls, and there are several factors that are likely to keep investors interested in the metal, at least intermittently, for the rest of this year and next.

Mr Joseph Rosta, CPM research director, suggests platinum is on an upward phase that may last another year or more. He says the time when supply has been growing more quickly than demand appears to be passing "and it may be replaced over the next several years by conditions in which the rate of growth in fabrication demand outpaces any increases in total supply." Nevertheless, platinum prices may go down in the coming year as fears about South African supplies diminish.

Rwandan farming programme threatened

By Nancy Dunne in Washington

Scientists working for the International Centre for Tropical Agriculture, based in Colombia, are urging the resumption of one of Africa's most successful agricultural programmes – the growing of climbing beans, developed in Latin America in the Great Lakes region of Rwanda, Burundi and western Zaire.

Beans are staple of the Rwandan diet and the introduction of climbing beans, which grow upward on stakes in farmers' fields, has tripled yields in a country where farmers average only one-half to one hectare each and 500 impoverished people live on each square kilometre of rural land. Production has risen by at least 33,000 tonnes, worth US$18m.

The bloody civil war has put the entire scheme at risk. One plant breeder, Dr Wayne Youngquist, was evacuated in a convoy of 75 cars and then airlifted to Kenya. Dr Robin Buruchara, a plant pathologist, was in Kenya when the fighting began and has been unable to return.

According to Dr Youngquist, most of the bean crop in southern Rwanda was lost to drought last year. When the fighting broke out early last month the rains were good. The next harvests are five to nine weeks away.

"If we can get back into Rwanda within a month – before the weeds take over – we can continue the programme without losing much. But right now, people worry more about their lives than weeds," said Dr Youngquist.

To keep the bean programme going, the tropical agriculture centre temporarily moved operations to Burundi, where they are multiplying seeds to send to Rwandan farmers when the fighting ends.

Ankle deep in agricultural controversy

Alison Maitland attends a meeting of farmers, policy-makers and environmentalists

Where better to debate the pros and cons of the European Union's changing agricultural policy than standing ankle-deep in a field that has been "set aside" from its previous use of growing barley?

The field, now sporting several varieties of wild plants, was the first stop on a farm walkabout this week in the picturesque Dedham Vale, in the Essex countryside best known through the paintings of John Constable. The tour, an annual event organised by the local Tendring Hundred Farmers' Club, provides an opportunity for leading policy-makers, lobbyists and farmers to discuss the most contentious issues in British agriculture.

The debate, helped by a stiff breeze, was lively.

Mr Patrick Holden, policy director of British Organic Farmers, said that set-aside, whereby farmers are paid to take a percentage of their arable land out of production, was a desperate measure by the European Commission to control grain surpluses. It would not work because farmers would simply intensify production on their remaining land.

Hailing its environmental benefits – the lower use of pesticides or the reappearance of wildlife – "is just making the best of a bad job", he said. "It would be much better to de-intensify farming as a whole rather than to use set-aside as an oasis."

Not surprisingly, the officials from the ministry of agriculture disagreed. Mr Howard Fearn said that a study being carried out by Wye agricultural college had found no evidence of production being stepped up on the rest of the land. And he pointed out that while concern for the environment was not the driving force behind the common agricultural policy reforms, it was becoming inextricably linked with them as a way of making continued subsidies for farming more palatable.

"The only way of getting the taxpayer rather than the farmer to pay is to introduce something called the environment," he said.

This appears to be throwing up contradictions. Farmers choosing the option of non-rotational set-aside – where they leave a fixed area of their farm unproductive rather than rotating the site each year – are contributing more to wildlife. But the impact, in terms of reducing production, will be less great as only the poorest land is set aside, according to agricultural economists.

A huge cloudburst forced the al fresco meeting to reconvene in a barn, where the steam was visibly rising as the arguments over environmentally-sensitive farming grew hotter. Conservationists wanted subsidies transferred wholesale from mainstream agriculture to promoting environmentally beneficial farming practices. But, apart from stressing the difficulty of Britain persuading its EU partners to go down that road, the man from the Treasury said he doubted whether the taxpayer would agree to £3bn a year being reallocated to an industry that had already been so heavily supported in the past.

So what did the scores of farmers present think of the prospects? The view was suitably down to earth. "At the end of the day, farmers have got to produce a net profit," said Mr Jim Macaulay, one of the organisers. "They can look towards the movement of sustainable farming, but if they take their eye off the costs they're in deep trouble."

The problem facing farmers in Europe is that many of their competitors elsewhere in the world do not face the same tough legislation on animal welfare or pesticide use – one reason why they can produce much more cheaply – said a senior official from the National Farmers' Union.

Mr Oliver Doubleday, who farms in both England and Brazil, said UK farmers were naive if they thought they could survive without subsidies. "It's a huge trap to think we ought to be trading on world prices," he said. "You just don't realise how low they are. There are going to be people – and I hope it's going to be me – who will clean up behind you."

Mr Macaulay concluded that UK costs of production would have to come down "if we're to stay in farming and deliver what the environmentalists want".

Exactly how high-cost, high-quality producers in Europe would continue to survive once markets became more open remained unclear. So did the common ground between the environmentalists and the bureaucrats. But at least the farmers were happy – they had got the rain they needed.

Alumina terminal opened on Russia's east coast

By Kenneth Gooding

An Anglo-Russian project to open up one of the bottlenecks that has restricted the import of an essential raw material for the Russian aluminium industry became operational this week when 25,600 tonnes of alumina (aluminium oxide) was unloaded by new facilities at the east coast port of Vanino.

The bulk alumina handling facilities, costing "several million dollars," are jointly owned by by Trans-World Metals, the UK-based trading group, and the Vanino Port Authority, one of the new Russian joint stock companies.

Russia has only one other such handling facility, at Murmansk. According to Mr Alan Bekhor, managing director of Trans-World, said to be the biggest trader in Russian aluminium: "The Vanino facilities open the way for alumina to get to Russia more efficiently. They represent a logical link between Australia, the world's biggest alumina producer, and Russia's big Siberian smelters." The first alumina through the facilities was bought from Alcoa of Australia.

Mr Bekhor said that within three months a second stage would lift the bulk alumina handling capacity at Vanino to 50,000 tonnes a month. The port is at one end of the Baikal-Amur railway which runs parallel to the Trans-Siberian railway.

In theory the facilities are available to all but "Trans-World will probably keep them busy for the rest of this year." However, Mr Bekhor stressed: "This is a long-term investment and there will be no quick returns."

MARKET REPORT

Coffee rallies to fresh high

London Commodity Exchange COFFEE futures perked up towards the close, briefly reaching fresh five-year highs.

The market had opened softer and slipped further, looking set to consolidate recent strong gains. The July position was $15 down at $1,668 a tonne by the mid-session close, having touched a low of $1,655. But a flurry of trade and commission house buying late in the afternoon quickly took the price up to a new high of $1,710 before it eased to close at $1,700, up $17.

"We saw good buying again towards the close, it would be a brave man to go short in this market," one trader commented.

The COCOA market ended a very dull but choppy day mixed, the near July futures position dipping to £870 a tonne before closing £4 up on balance at £886.

Traders said the market shrugged off news that according to the chief executive of the Ivory Coast's Caistab, the country was short of its current commitments and the mid-crop would only be 80,000 tonnes, against forecasts of up to 200,000 tonnes. "The market isn't in the mood for bullish news," one explained. "Sentiment is slightly unfriendly."

At the London Metal Exchange COPPER prices snapped higher in the afternoon, setting the market up for a further attempt on recent highs at $1,983 a tonne, but other markets ended mixed.

ALUMINIUM prices moved off their lows aided by copper. But the three months delivery quotation was unable to repeat Wednesday's foray above $1,330 a tonne, and final business was at $1,327, down $2.

Price trends were mixed for the PRECIOUS METALS after gold fixed unchanged from its lower morning setting and the New York markets mostly opened sharply lower. Dealers said the turn-round in the dollar's strength from weak to firmer and the apparent calm in South Africa had taken away GOLD'S two major price supports.

London SILVER prices struggled for most of the day after only briefly holding a firmer opening level at $5.17-$5.19 for the cash position. A sudden bout of selling took the price down to around $5.10 support near the morning gold fix and although a couple of rallies were attempted, the support was re-visited when the New York market lost nearly 11 cents shortly after opening.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1302-3	1327-8
Previous	1301-2	1326-6.5
High/low	1300	1328/1322
AM Official	1299-300	1324-4.5
Kerb close		1326-7
Open int.	247,560	
Total daily turnover	38,318	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1290-5	1305-8
Previous	1300-10	1310-5
High/low		1310/1296
AM Official	1285-90	1295-300
Kerb close		1305-10
Open int.	4,078	
Total daily turnover	1,078	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	463-4	478-8.5
Previous	464.5-5.5	473.5-4
High/low	461	479/475
AM Official	461-2	477-8
Kerb close		478.5-9
Open int.	35,181	
Total daily turnover	5,510	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5630-40	5700-10
Previous	5635-40	5710-5
High/low	5608/5605	5720/5660
AM Official	5605-6	5680-5
Kerb close		5710-5
Open int.	56,808	
Total daily turnover	12,745	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5430-40	5495-500
Previous	5405-15	5470-80
High/low	5437	5510/5460
AM Official	5437-8	5495-8
Kerb close		5505-10
Open int.	16,659	
Total daily turnover	5,003	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	950.5-1.5	970-2
Previous	947-8	968-8.5
High/low	949.5/949	972/967
AM Official	949.5-50	970-0.5
Kerb close		969-70
Open int.	101,669	
Total daily turnover	27,118	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1963-4	1974.5-5
Previous	1952-3	1968.5-9
High/low		1980/1964
AM Official	1952.5-3.5	1966.5-7
Kerb close		1975-6
Open int.	181,824	
Total daily turnover	45,653	

■ LME AM Official £/$ rate: 1.4972

LME Closing £/$ rate: 1.4960

Spot:1.4963 3 mths:1.4956 6 mths:1.4943 9 mths:1.4934

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
May	92.50	+0.05	93.10	92.35	4,191	2
Jun	92.65	+0.15	92.90	92.55	1,018	74
Jul	92.65	+0.15	93.30	92.40	371	77
Aug	92.30	+0.10	92.70	92.45	417	5
Sep	91.95	+0.05	92.55	91.80	7,523	217
Oct	91.75	+0.05	92.20	92.10	208	14
Total					23,260	612

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.50-374.90	
Opening	376.20-376.60	
Morning fix	374.50	249.700
Afternoon fix	374.50	250.033
Day's High	376.10-376.00	
Day's Low	374.10-374.30	
Previous close	375.25-375.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.68	6 months	4.21
2 months	3.74	12 months	4.73
3 months	3.88		

Silver Fix	p/troy oz.	US cts equiv.
Spot	342.75	511.75
3 months	347.10	517.30
6 months	351.40	523.25
1 year	361.55	537.70

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	254-257
Maple Leaf	385.25-387.70	-
New Sovereign	88-91	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	373.6	-3.0	-	-	1,000	1,000
Jun	374.7	-3.0	378.0	374.5	88,867	27,866
Jul	376.0	-3.0	-	-	-	-
Aug	377.4	-3.0	378.8	377.2	14,260	803
Oct	380.4	-3.0	381.5	380.0	5,028	181
Dec	383.5	-3.0	384.8	383.5	14,112	236
Total					150,365	30,571

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	389.4	-9.4	394.8	389.0	16,050	2,575
Oct	391.4	-9.4	396.5	392.0	2,408	162
Jan	392.5	-9.4	396.0	396.0	843	-
Apr	393.9	-9.4	400.0	398.5	944	10
Total					20,245	2,747

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	138.25	-2.30	139.00	136.60	3,388	274
Sep	138.00	-2.30	139.50	137.00	1,463	210
Dec	138.00	-2.30	-	-	464	2
Mar	137.50	-2.30	-	-	6	-
Total					5,319	486

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	510.7	-6.8	514.0	510.0	1,913	947
Jun	512.1	-7.0	-	-	5	11
Jul	514.7	-7.0	518.0	511.0	84,355	24,880
Sep	519.2	-7.8	522.0	518.5	7,955	235
Dec	526.3	-7.1	529.5	523.0	11,621	756
Jan	528.3	-7.1	-	-	32	-
Total					118,698	28,854

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	17.13	+0.27	17.25	16.78	124,032	65,215
Jul	16.87	+0.22	17.00	16.50	73,380	32,364
Aug	16.77	+0.19	16.85	16.56	34,123	15,517
Sep	16.70	+0.14	16.77	16.57	28,809	9,226
Oct	16.57	+0.01	16.69	16.57	18,185	3,047
Nov	16.68	-0.01	16.55	16.55	12,073	2,178
Total					435,684	143,264

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	15.68	+0.20	15.83	15.50	58,970	24,450
Jul	15.54	+0.15	15.88	15.39	47,178	15,120
Aug	15.41	+0.05	15.59	15.37	16,529	4,189
Sep	15.53	+0.14	15.57	15.39	11,473	2,024
Oct	15.52	+0.10	15.55	15.39	5,151	783
Nov	15.52	+0.09	15.56	15.41	3,858	331
Total					150,483	47,237

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	47.10	+0.44	47.40	46.50	46,931	14,207
Jul	47.45	+0.42	47.80	47.10	32,143	4,382
Aug	48.15	+0.47	48.30	47.75	13,754	1,459
Sep	49.30	+0.57	49.25	48.75	10,661	745
Oct	49.90	+0.27	49.90	49.85	8,925	72
Nov	51.05	+0.57	51.05	50.70	5,418	121
Total					142,711	22,377

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	149.50	-0.50	150.50	148.00	19,629	5,155
Jun	149.50	-0.75	150.00	148.25	24,124	5,088
Jul	150.50	-0.50	151.25	149.00	15,096	2,509
Aug	152.00	-0.50	152.50	151.00	6,335	672
Sep	153.75	-0.25	154.00	152.75	5,586	329
Oct	156.50	-	156.50	155.50	5,481	396
Total					98,319	15,077

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	2.035	+0.001	2.055	2.015	16,444	9,310
Jul	2.066	+0.011	2.080	2.048	13,910	3,482
Aug	2.085	+0.009	2.090	2.065	10,537	1,529
Sep	2.110	+0.010	2.112	2.085	10,708	1,158
Oct	2.155	+0.012	2.165	2.148	7,439	836
Nov	2.225	+0.012	2.240	2.230	8,732	184
Total					112,972	17,887

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	49.50	+0.02	50.10	49.20	49,983	20,512
Jul	49.90	+0.08	50.45	49.60	23,781	7,221
Aug	50.00	+0.10	50.35	49.60	11,595	2,888
Sep	49.55	+0.23	49.85	49.15	9,090	1,119
Oct	48.10	+0.28	48.40	48.10	1,474	207
Nov	47.10	+0.08	47.25	46.70	2,043	201
Total					99,648	32,239

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	117.20	+1.95	117.50	116.00	432	105
Jun	117.20	+1.95	117.50	116.00	1,050	110
Sep	98.25	+0.60	98.10	98.10	499	5
Nov	99.40	+0.85	99.20	98.45	1,530	55
Jan	101.40	+0.85	101.20	100.75	1,025	154
Mar	102.10	-	-	-	324	-
Total					4,985	434

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	326/2	-7/0	335/4	326/0	3,045	3,395
Jul	330/2	-4/4	337/0	330/0	141,815	90,706
Sep	333/2	-5/0	340/4	332/4	31,900	5,020
Dec	343/2	-5/2	350/2	342/2	35,925	17,535
Mar	345/0	-6/0	352/4	345/0	2,085	225
May	340/0	-5/0	-	-	180	50
Total					215,446	177,018

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	256/4	-6/0	265/6	256/0	47,825	35,215
Jul	258/2	-9/0	267/6	257/6	664,175	176,680
Sep	250/2	-8/0	258/6	249/4	165,010	17,115
Dec	242/2	-6/4	249/4	242/0	377,310	77,715
Mar	250/2	-5/6	258/2	250/0	35,910	4,250
May	255/6	-4/6	260/0	255/4	4,090	490
Total					1,331,[illegible]	313,375

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	110.00	+1.00	-	-	50	-
Sep	97.10	-	-	-	128	-
Nov	98.80	-	-	-	177	-
Jan	100.50	-	-	-	30	-
Mar	101.85	-	-	-	5	-
May	103.75	-	-	-	5	-
Total					411	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	658/0	-11/4	668/4	658/2	28,485	14,605
Jul	637/0	-12/4	669/4	656/0	328,810	146,800
Aug	651/6	-12/2	664/0	651/0	59,690	8,955
Sep	630/6	-13/2	644/0	630/4	33,430	2,175
Nov	613/4	-12/6	626/0	613/0	217,790	38,805
Jan	620/4	-12/6	631/2	620/0	21,500	2,460
Total					709,830	213,810

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	28.14	-0.40	28.60	28.12	5,687	1,236
Jul	28.05	-0.41	28.52	28.05	41,050	9,671
Aug	27.72	-0.40	28.18	27.70	12,072	734
Sep	27.14	-0.40	27.55	27.10	11,184	534
Oct	26.19	-0.34	26.60	26.10	8,083	167
Dec	25.49	-0.22	25.80	25.40	15,634	1,405
Total					97,841	13,858

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	185.3	-3.1	188.7	186.0	3,277	2,189
Jul	186.4	-3.5	189.9	186.1	38,899	10,218
Aug	186.1	-3.1	189.2	185.8	12,738	1,452
Sep	184.8	-2.8	187.6	184.0	8,142	442
Oct	182.5	-3.0	185.5	181.9	5,062	425
Dec	181.3	-3.2	184.5	180.6	16,074	2,400
Total					87,058	17,161

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	262.5	-	-	-	-	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	133.9	+2.9	134.0	132.5	-	33
May	140.0	-	-	-	504	-
Jun	107.5	-	-	-	-	-
Total					504	33

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
May	1438	+28	1441	1410	613	91
Jun	1340	+35	1345	1305	486	250
Jul	1226	+28	1230	1200	590	117
Oct	1330	+32	1305	1305	270	2
Jan	1368	+10	1369	1369	144	19
Apr	1375	-2	1376	1375	10	10
Total					2,303	489

	Close	Prev
BFI	1432	1423

Wool

Prices paid at wool auctions this week increased steadily, and with offerings declining in the closing stages of the selling season it became more difficult to imagine a setback. The Australian market indicator reached 587c/kg on May 5, a new peak for the season. Nervousness about stockpile offering to be offered by fixed schedule from July dissipated some time ago and the market is inclined now to assess this as a potentially strengthening rather than a weakening factor. The wool using industry is keeping busy but there is eagerness to see new business coming through at the higher prices now being paid for wool. After a long quiet period it is hoped that the latest dearer price trend is finally bringing out more buying interest. Currency volatility affecting the US and Australian dollars has disturbed price calculations during the past week.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	858	-	856	846	167	183
Jul	886	+4	886	870	22,138	3,891
Sep	903	+1	904	890	14,301	719
Dec	929	+1	930	917	19,101	6,224
Mar	954	+2	954	940	27,175	825
May	968	+2	966	953	10,307	82
Total					104,954	12,084

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1148	+33	1142	1142	232	28
Jul	1176	+25	1180	1139	38,648	5,629
Sep	1200	+24	1203	1165	13,915	660
Dec	1238	+22	1240	1207	8,787	514
Mar	1272	+22	1259	1248	10,630	29
May	1299	+22	-	-	4,914	10
Total					81,137	6,670

■ COCOA (ICCO) (SDR's/tonne)

May 4	Price	Prev. day
Daily	890.49	898.48
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	1770	+21	1775	1730	2,915	404
Jul	1698	+15	1710	1655	18,247	1,662
Sep	1671	+20	1675	1625	12,623	1,786
Nov	1648	+13	1650	1610	5,320	314
Jan	1636	+10	1635	1605	5,902	43
Mar	1608	+1	-	-	1,983	24
Total					47,045	4,209

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	100.20	+5.45	100.20	94.65	871	438
Jul	99.85	+4.95	100.50	93.70	35,780	11,710
Sep	99.70	+4.70	100.25	93.70	11,909	2,629
Dec	99.95	+4.35	100.10	94.40	5,808	978
Mar	99.25	+3.40	99.25	95.25	2,828	506
May	99.25	+2.80	98.00	97.30	375	35
Total					57,445	16,202

■ COFFEE (ICO) (US cents/pound)

May 4	Price	Prev. day
Comp. daily	91.75	90.11
15 day average	83.48	82.83

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.03	+0.10	12.06	12.05	2,629	10
Oct	11.66	+0.13	-	-	292	-
Jan	11.82	-	-	-	-	-
Total					2,921	10

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	331.80	+0.10	332.00	326.00	10,701	1,633
Oct	313.10	+2.90	314.00	311.00	7,031	335
Dec	306.80	+2.30	306.80	305.50	317	108
Mar	303.50	+2.00	305.00	302.50	1,033	110
May	303.70	+1.00	-	-	200	-
Aug	307.20	+1.90	-	-	215	-
Total					18,611	2,182

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	11.82	+0.17	11.86	11.71	52,297	10,146
Oct	11.65	+0.17	11.67	11.58	32,678	3,617
Mar	11.38	+0.13	11.38	11.31	18,565	1,406
May	11.36	+0.11	11.35	11.29	2,419	59
Jul	11.31	+0.08	11.34	11.30	1,214	41
Oct	11.20	+0.08	-	-	469	133
Total					105,681	15,863

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	85.00	-0.60	85.25	84.00	1,436	112
Jul	83.17	-0.19	83.45	82.15	27,585	5,831
Oct	76.17	+0.12	76.25	75.30	4,709	557
Dec	74.28	+0.39	74.30	73.60	18,175	3,620
Mar	75.10	+0.35	75.20	74.50	1,411	125
May	75.45	+0.33	75.20	75.20	628	24
Total					54,040	10,469

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	102.20	+0.96	102.00	101.00	654	429
Jul	104.80	+1.10	105.50	103.00	13,149	1,688
Sep	107.20	+1.10	108.00	105.75	2,607	255
Nov	108.00	+1.05	108.00	108.00	1,156	62
Jan	109.00	+0.35	109.00	108.00	2,234	77
Mar	111.00	+0.25	110.20	110.15	650	1
Total					20,471	2,412

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 5	May 4	month ago	year ago
1860.9	1855.6	1818.6	1644.0

■ CRB Futures (Base: 4/9/56=100)

May 4	May 3	month ago	year ago
224.30	224.74	225.27	207.84

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	68.975	+0.150	69.450	68.800	28,667	10,488
Aug	68.350	-0.100	68.950	68.250	15,337	5,461
Oct	70.850	+0.050	71.425	70.800	12,174	2,974
Dec	71.660	+0.275	71.800	71.350	7,536	1,044
Feb	71.650	+0.350	71.750	71.600	2,937	261
Apr	72.825	+0.150	72.950	72.750	1,126	243
Total					67,878	20,526

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	48.950	-0.800	49.700	48.600	15,516	4,699
Jul	49.125	-0.575	49.800	48.650	5,857	1,782
Aug	47.300	-0.475	47.800	47.000	3,442	732
Oct	43.250	-0.150	43.650	43.000	2,710	535
Dec	43.460	-0.225	43.750	43.090	2,673	279
Feb	43.450	-0.200	43.800	43.100	496	54
Total					31,123	8,130

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	45.100	-1.925	46.800	45.075	362	209
Jul	45.550	-1.800	47.400	45.500	6,142	1,995
Aug	43.900	-1.575	45.550	43.775	1,627	477
Feb	49.350	-0.550	50.200	48.150	259	84
Mar	48.300	-0.600	-	48.300	22	6
May	50.000	-2.000	50.500	50.000	13	1
Total					8,426	2,771

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1300	50	83	26	37
1325	37	69	38	48
1350	26	57	52	60
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
1900	94	118	20	41
1950	77	102	28	50
2000	62	88	38	51
■ COFFEE LCE	Jul	Sep	Jul	Sep
1500	212	196	14	25
1550	171	160	23	38
1600	135	128	37	57
■ COCOA LCE	Jul	Sep	Jul	Sep
875	32	61	21	33
900	20	48	34	45
925	12	38	51	60
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1500	-	-	7	28
1550	42	63	18	46
1600	15	36	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)

		+or-
Dubai	$14.09-4.13y	-0.14
Brent Blend (dated)	$15.87-5.89	-0.05
Brent Blend (Jun)	$15.71-5.73	-0.03
W.T.I. (1pm est)	$17.08-7.12	-0.04

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$175-178	
Gas Oil	$150-151	-1.0
Heavy Fuel Oil	$78-80	-0.5
Naphtha	$150-152	
Jet Fuel	$162-164	-1.0

Petroleum Argus Estimates

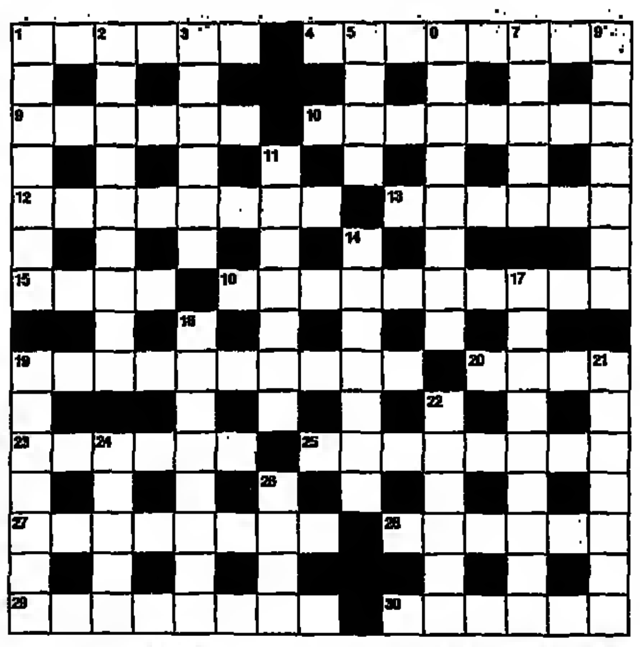
■ OTHER

Gold (per troy oz)♣	$374.70	-0.80
Silver (per troy oz)♣	013.50c	-2.00
Platinum (per troy oz.)	$390.60	-4.00
Palladium (per troy oz.)	$136.75	-2.66
Copper (US prod.)	97.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.26r	+0.06
Tin (New York)	252.50c	+2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	127.90p	+1.32*
Sheep (live weight)†♦	152.58p	+9.80*
Pigs (live weight)	76.70p	-1.49*
Lon. day sugar (raw)	$279.60	+6.60
Lon. day sugar (wte)	$336.00	+6.50
Tate & Lyle export	£298.00	+5.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$138.5	
Wheat (US Dark North)	£180.0x	
Rubber (Jun)♥	N/A	
Rubber (Jul)♥	N/A	
Rubber(KL RSS No1 Jun)	257.50m	+2.00
Coconut Oil (Phil)§	$585.0z	+5.0
Palm Oil (Malay.)§	$465.0y	+5.0
Copra (Phil)§	$375.0	
Soyabeans (US)	£192.0y	
Cotton Outlook A Index	86.15c	-0.45
Wooltops (64s Super)	402p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z May/Jun. y Jun. w May. † May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,446 Set by DANTE



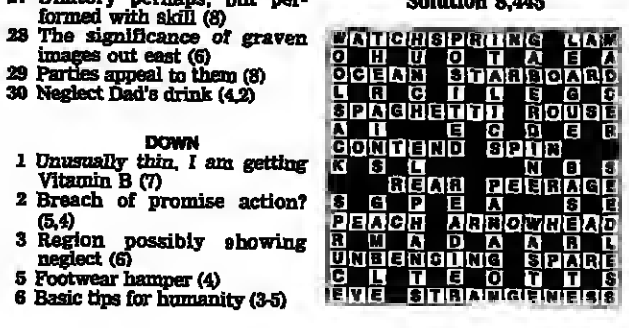
ACROSS

1 Jock retreated in alarm (6)
4 Explorer is eating last of the sledge dogs (8)
9 Lizard again disturbed around mid-January (6)
10 Maugham's London house (8)
12 Relevant data (8)
13 Craft project (6)
15 Cattle without water (4)
16 Not inclined to be honest (2,3,5)
19 Expanding, becoming more communicative (7,3)
20 She will return to take a course (4)
23 An evil disposition that's excusable (6)
25 Hold a show trial (8)
27 Dilatory perhaps, but performed with skill (8)
28 The significance of graven images out east (6)
29 Parties appeal to them (8)
30 Neglect Dad's drink (4,2)

DOWN

1 Unusually thin, I am getting Vitamin B (7)
2 Breach of promise action? (5,4)
3 Region possibly showing neglect (6)
5 Footwear hamper (4)
6 Basic tips for humanity (3-5)
7 Dramatist's nibs arranged round a centrepiece (5)
8 The case of broken latches (7)
11 Mad rage can lead to slaughter (7)
14 Yelled out in the hangar (7)
17 Thinks a great deal of events are badly organised (9)
18 His second mate gets him into trouble (8)
19 How to get round something, or perhaps above it (7)
21 Prepare for a costume party? (5,2)
22 Bunk with a woman! (6)
24 She tends to rush over certain points (5)
26 A slight incoherence in speech (4)

Solution 8,445



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE regains 3,100 as dollar tensions relax

By Terry Byland, UK Stock Market Editor

The absence of further developments in the US dollar left the London stock market to stage a technical recovery yesterday which took the FT-SE 100 Index back above the 3,100 mark as UK voters went to the polls in the local elections. The day was enlivened by good trading figures, an increased dividend from British Petroleum and a £65m deal in Reuters as the Abu Dhabi Investment Authority lightened its stake in the global financial communications group.

The equity rally was helped by a recovery in British government bonds and in sterling, but analysts took a restrained view of the 35.5-point gain in the FT-SE 100 to a close of 3,106, just a shade below the day's best level.

The market fell by 14 Footsie points in early trading but this appeared to be a reflection of the Reuters deal. The US investment bank handling the business was believed to have sold the June stock index future first as insurance against the possible effects of the transaction in Reuters stock. Once this deal was done, the US house bought back the futures contracts and the underlying market turned higher.

The sharp rise in BP shares caught some securities traders wrong-footed and the trading screens briefly showed a backwardation – when some marketmaker bid and offer quotations are briefly out of line – as at least two US houses battled to change portfolio stances on the stock.

Account Dealing Dates			
*First Dealings:	Apr 25	May 18	Jun 6
Option Declarations:	May 12	Jun 2	Jun 16
Last Dealings:	May 13	Jun 3	Jun 17
Account Day:	May 23	Jun 13	Jun 27

*New time dealings may take place from two business days earlier.

Higher dividend payouts from both BP and Bank of Scotland reinforced optimism on corporate earnings and gave the market a significant boost. Later, as it became clear that the central banks had no immediate plans for further moves to support the US dollar, tensions relaxed and shares moved up smartly.

London was helped at the close by initial firmness on Wall Street, although analysts warned that the US payroll data, due today, could present the Federal Reserve with a further opportunity to tighten credit.

The FT-SE Mid 250 Index climbed 12.9 to 3,770.6. Seaq volume of 688.5m shares was some 20 per cent up from Wednesday's figure which, in turn, reflected retail business worth £1.22bn, at the lower end of recent daily averages.

The blue chip sectors were boosted by the oil majors, which are heavily weighted in all leading market indices. Elsewhere, the share price gains were more scattered, with many of the best performances coming from stocks which had suffered the most over the past two weeks.

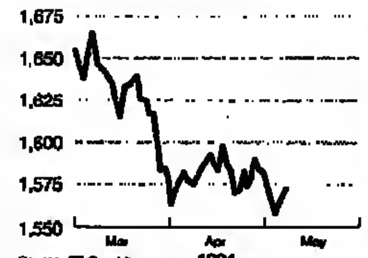
The pharmaceutical sector, where the multinational leaders are undergoing a spree of acquisition moves sparked by moves into the US by some European groups, reported a calmer session yesterday.

Firmness in UK bonds, which have clearly shown this week that they can still upset the equity sector, provided an underpinning for the recovery trend.

But doubts were expressed as to whether the US dollar has yet stabilised and analysts admitted that stock markets remained highly vulnerable to the next move to tighten credit policy at the Federal Reserve. Such a move is widely expected at some time in the near future and the timing could now depend on the dollar.

Meanwhile, the UK equity market will watch sterling today to see the effects of the outcome of the local elections.

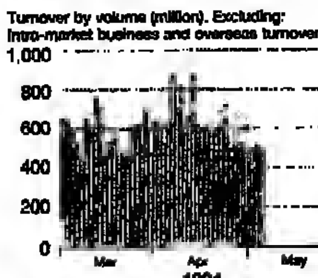
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3106.0	+35.5	FT Ordinary Index	2481.9	+18.1
FT-SE Mid 250	3770.6	+12.9	FT-SE-A Non Fins p/e	20.46	(20.33)
FT-SE-A 350	1579.7	+15.0	FT-SE 100 Fut Jun	3105.0	+48.0
FT-SE-A All-Share	1572.45	+13.86	10 yr Gilt yield	8.23	(8.40)
FT-SE-A All-Share yield	3.69	(3.72)	Long gilt/equity yld ratio:	2.28	(2.26)

Best performing sectors		Worst performing sectors	
1 Retailers, Food	+3.4	1 Tobacco	-1.8
2 Oil, Integrated	+3.1	2 Printing, Paper & Pckg	-0.8
3 Banks	+3.1	3 Other Services & Bsns	-0.7
4 Mineral Extraction	+2.4	4 Water	-0.3
5 Oil Exploration & Prod	+1.3	5 Other Financial	-0.2

Heavy sale of Reuters

News and financial information group Reuters Holdings was the most heavily traded stock in London and recorded one of its highest daily turnover totals since flotation. The volume was boosted by a £65m stake sale, believed to have been carried out by the Abu Dhabi Investment Authority.

Goldman Sachs, the US investment bank, executed an agency cross of 13.5m shares. The deal accounted for 27m of the day's final turnover of 34m shares and was concluded at 480p a share.

The Abu Dhabi Investment Authority bought 12.5 per cent of Reuters in 1984 and was recently quoted as holding just under 7 per cent of the company's shares. Yesterday's deal represented a reduction of 0.8 per cent.

It came just days after Reuters' key European presentation to analysts and potential customers in Geneva. However, most analysts did not believe that it pointed to a change of heart by the company's leading shareholder. They pointed out that Reuters shares had outperformed the FT-SE-Actuaries All-Share Index by 40 per cent over the past year. With the potential pressure of the trade out of the way, the shares ended the session 11 higher at 500p.

BP boost

The stock market was startled by the 19 per cent dividend increase announced by British Petroleum and hoisted the oil company's shares to an all-time high of 408p, before a flurry of profit-taking left the stock a net 16¼ up at 399¼p.

Turnover was 21m shares, the highest day's business in the stock since its preliminary results in February.

Dealers in the oil sector acknowledged that the figures were startlingly good but posed the question as to why BP was hastening to reinstate a dividend cut made only two years ago. Some of the more cynical traders still harboured a suspicion that the Kuwait Investment Office might be waiting for a good opportunity to place its near 10 per cent stake in BP, the residue of the 22 per cent holding the KIO built up in the late 1980s.

But industry analysts were at pains to applaud BP's performance. "It is very hard to criticise these figures. The company is enormously leveraged to European recovery in refining and chemicals," said Mr Jeremy Hudson at Lehman Brothers, the US-owned brokerage concern.

Hoare Govett, BP's broker, described the figures as "stunningly good" and the stock "undervalued". Goldman Sachs forecast that the shares would reach the high 400s later in the year. Mr Keith Morris at Schroders, a long-time bull of BP, said the shares' performance demonstrated the market's belief that the company can still make decent profits at $15 a barrel.

Reports of swingeing cuts to come at Do It All, the home improvement subsidiary of Boots and W.H. Smith, boosted the shares in both companies. "If true, this degree of rationalisation at this price represents good value for Boots and Smith," said one stores specialist. The report that around half – or 100 – of the DIY outlets would be shut or sold at a cost of some £60m compares with City predictions of 50 closures at a cost of £55m. Boots added 12 at 559p, while Smith put on 11 at 506p. Boots was also refusing to comment on US press reports that it was talking to H.J. Heinz over the sale of its Farley baby food subsidiary.

The strong rally by the Hong Kong market triggered a big recovery in stocks such as Standard Chartered and HSBC. The latter jumped 29 to 698p and the former, whose shares are scheduled to be split four-for-one this morning, rose 29 to 965p.

Barclays advanced 13 to 512p following the annual meeting, while Lloyds closed 23 better at 582p. Bank of Scotland fell to 177p immediately following the preliminary figures, reflecting profit-taking, but rallied to close a net 5 up at 188p.

Zeneca improved 9 to 697p ahead of its annual meeting today and a presentation to analysts on Monday at its research base in Cheshire. Lehman Brothers was also said to have recommended the stock at a pharmaceuticals conference focusing on emerging markets. Wellcome, another of Lehman's favoured stocks, improved 13 to 563p.

ICI benefited from the improved figures at BP, which revealed that its chemicals division had moved into profit for the first time in 18 months. ICI shares lifted 12 to 830p.

Chemicals group Laporte slipped 6 to 808p with one securities house believed to be offering a line of 1m shares around the market.

Turnover in whisky manufacturer Burn Stewart reached 6m shares as 5 per cent of the company changed hands. Dealers said the shares were bought at 108p and placed in the market at between 110p and 111p, with Cazenove thought to be responsible. Burn Stewart shares slipped 2 to 116p.

Management changes at Bass were said to have unnerved some investors, together with a bout of profit-taking after a recent good run. The shares retreated 9 to 558p. Scottish and Newcastle, up 11 at 523p, and Whitbread, ahead 16 at 564p, benfited from switching from Bass.

Sparkling spirits figures from LVMH's far eastern operations helped Guinness put on 6 to 482p. Luxury goods group Vendome moved forward 14 to 452p.

Airtours fully-paid shares surged 39 to 469p after presentations to Scottish institutions. The nil-paid doubled in value to 79p.

Turnover in Rolls-Royce rose to 9.5m and the shares hardened 4 to 194½p on reports that the group may win a substantial order from Saudi Arabia.

Queries over the safety of the Channel tunnel cast a shadow over operator Eurotunnel ahead of today's official opening. The shares relinquished 8 to 460p.

The market appreciated news from conglomerate Wassall that it planned to acquire General Cable of the US in a £178.7m deal, to be partly funded by a rights issue. The shares jumped 18 to 320p.

Food retailers continued their encouraging run. Argyll climbed 13½ to 251½p on 9.8m traded, Kwik Save 16 to 567p, Tesco 8½ to 223½p on 11m dealt and J. Sainsbury 15½ to 392½p on 9.5m.

Other big moves

Bodyshop and Bernard Matthews gained 20 at 234p and 7 at 107p on well received profits for the former and a positive annual meeting for the latter.

MARKET REPORTERS: Steve Thompson, Christopher Price, Peter John, Joel Kibazo.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (30). BUILDING & CNSTRN (1) Brandon Hire, BLDG MATLS & MCHTS (2) Epwin, Johnston, Rostel, DISTRIBUTORS (1) Danmere Elect., DIVERSIFIED INDLS (1) Wassall, ELECTRNC & ELECT EQUP (3) ASEA B, Electrolux, Eurotherm, ENGINEERING (4) Atlas Copco B, Bridon, SKF, Wagon Indl., HOUSEHOLD GOODS (1) Delaney, INVESTMENT TRUSTS (2) F & C Inc. Gwth., Gartmore Brit. Inc., LEISURE & HOTELS (2) Brent Walker, Ramsden's (H), MERCHANT BANKS (1) Rea Bros., OIL EXPLORATION & PROD (1) LASMO 9½pc Prf., OIL, INTEGRATED (1) BP, PRTNG, PAPER & PACKG (1) Wyndeham Press, PROPERTY (1) High-Point, SUPPORT SERVS (4) BNB, Page (M), Reed Executive, Sage, TEXTILES & APPAREL (1) Alexandra Workwear, TRANSPORT (1) Goode Durrant, AMERICANS (1) Lowe's.

NEW LOWS (163). GILTS (51) OTHER FIXED INTEREST (1) BANKS (1) Ottomane Bank, BLDG MATLS & MCHTS (7) Bardon, Blue Circle, Do 7¾pc Prf., Caradon, Do 7¼p Prf., Norcros, RMC, DIVERSIFIED INDLS (6) ELECTRICITY (1) National Power, ELECTRNC & ELECT EQUP (1) Telemetrix 5p, ENGINEERING (2) Powerscreen Int'l., Richards, EXTRACTIVE INDS (8) FOOD MANUF (2) Nestle BA (Reg), Sims, GAS DISTRIBUTION (1) British Gas, HEALTH CARE (1) Seton Healthcare, HOUSEHOLD GOODS (2) Creighton Naturally, Silentnight, INSURANCE (9) Bradstock, General Accident, Independent, London Insce. Mkt., Premium Underwriting, INVESTMENT TRUSTS (24) INVESTMENT COMPANIES (4) LEISURE & HOTELS (1) Forte, LIFE ASSURANCE (2) Legal & General, Lloyds Abbey Life, MEDIA (2) EMAP, MAI Wrts., MERCHANT BANKS (2) Hambros, Hambros 7¾pc Prf., OIL, INTEGRATED (1) Exxon, OTHER FINANCIAL (3) BWD Secs., London Forfaiting, M. & G., OTHER SERVS & BUSNS (1) Plantsbrook, PHARMACEUTICALS (2) PRTNG, PAPER & PACKG (1) Crest Pckg., PROPERTY (8) Birton, Cathay Int'l., Derwent Valley, Herring Baker Harris, Letinvest 11¼pc Sbpd. Db 2012, RETAILERS, FOOD (2) RETAILERS, GENERAL (1) Courts, SUPPORT SERVS (2) Cedardata, Ofs Int'l., TELECOMMUNICATIONS (1) Security Servs., TEXTILES & APPAREL (1) Leeds, TRANSPORT (1) NFC, WATER (4) Mid Kents, Southern, Thames, Yorkshire, AMERICANS (2) CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

The recovery in UK gilts and sterling helped stock index futures shrug off tha gloom seen in recent sessions and the advance helped to pull the underlying cash market higher, *writes Joel Kibazo.*

The June contract on the FT-SE 100 finished at 3,105, up 48 from its previous close but at parity with the underlying cash market. Volume was 12,313 contracts.

Earlier, sellers of the contract dominated trading, with Goldman Sachs reported to have been particularly active in the first hour. Having opened at 3,051, June fell to the day's low of 3,045, dragging the cash market lower.

The improvement in UK gilts, along with a more steady performance in the other European bond markets, helped to reverse the earlier retreat, with the underlying cash market once again following suit. The high of the day was 3,112, reached in the last half-hour of trading.

In the traded options, total volume of 38,718 was little changed from Wednesday's figure. Most of the trading activity was in the index options, with the FT-SE 100 option trading 12,508 lots and the Euro FT-SE option 8,042 contracts.

Hanson was the busiest stock option with a total of 2,142 lots dealt. The August 260 calls were said to have been the busiest series. Argyll Group was next at 1,776 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3051.5	3105.0	+48.0	3112.0	3045.0	12315	53556
Sep	3085.0	3122.5	+48.0	3111.0	3085.0	2	820
Dec		3133.0	+47.5			0	211

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3760.0	3765.0	+25.0	3760.0	3760.0	12	3865

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

June	3,782.5	891

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3106) £10 per full index point

	2950		3000		3050		3100		3150		3200		3250		3300	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
May	163½	5	117	10½	77	20½	44½	39	22	67½	8	107½	3½	158½	1½	205½
Jun	175½	22½	137½	35	102	49	74	70½	15½	98½	31	128	18	165½	10	209
Jul	195	35½	158½	48	125	65½	97	86½	72½	113	52½	143	37½	179	24	217½
Aug	216	49½	178	82½	147½	81½	118	103	93	120	71½	158½	63	188	48	226½
Dec					237	112½			177	190			129½	201½	87½	251

Calls 6,402 Puts 5,916

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925		2975		3025		3075		3125		3175		3225		3275	
May	184½	3½	137½	6½	95½	14½	57½	28	31½	53½	14	84½	5½	124½	1½	170
Jun	196	17	155	26	110	39½	87	57½	62	82	41½	111	26½	146	152	185
Jul	213	28½			141	55			84½	87½			45½	157		
Sep	244½	51½			176½	81			120	122½			76½	177		
Dec†	284½	83			218½	114			163	155			116	205½		

Calls 5,433 Puts 2,605 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3750	3800	3850	3900	3950	4000	4050	4100
May	50 35	25 60	8 95					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	21,500	58½	+1¼
Abbey National†	5,300	419	+6½
Albert Fisher	741	58	
Allied-Lyons†	1,400	577	+2
Anglian Water	1,100	482	-4
Argos	748	387	+3
Argyll Group†	9,800	251½	+13½
Arjo Wiggins†	1,400	807	-2½
[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

	May 5	Day's chge%	May 4	May 3	Apr 29	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3106.0	+1.2	3070.5	3100.0	3125.3	2786.3	2.91	6.40	16.78	36.06	1153.69
FT-SE Mid 250	3770.6	+0.3	3757.7	3775.3	3781.1	3114.7	3.26	6.45	22.34	35.20	1382.57
FT-SE Mid 250 ex Inv Trusts	3787.7	+0.3	3775.8	3791.9	3797.0	3144.0	3.38	5.87	20.01	36.42	1384.84
FT-SE-A 350	1579.7	+1.0	1564.7	1577.8	1588.3	1390.5	3.75	6.19	12.50	17.50	1200.82
FT-SE SmallCap	1941.66	—	1942.06	1945.28	1943.05	1587.96	2.89	4.13	28.79	16.10	1487.16
FT-SE SmallCap ex Inv Trusts	1921.31	-0.1	1922.51	1923.82	1920.44	1586.64	3.04	4.57	27.29	16.24	1474.43
FT-SE-A ALL-SHARE	1572.45	+0.9	1558.59	1570.95	1580.44	1377.63	3.69	6.03	19.99	17.11	1216.16

■ FT-SE Actuaries All-Share

	May 5	Day's chge%	May 4	May 3	Apr 29	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(16)	2681.94	+2.4	2616.40	2623.54	2652.69	2111.00	3.47	4.59	27.35	31.95	1082.88
12 Extractive Industries(4)	3873.64	—	3873.80	3858.44	3885.36	2912.00	3.35	6.10	24.57	42.76	1056.87
15 Oil, Integrated(3)	2624.71	+3.1	2545.37	2553.88	2585.17	2062.00	3.51	4.82	25.80	32.88	1061.38
16 Oil Exploration & Prod(11)	1986.30	+1.3	1963.70	1957.49	1986.00	1943.80	3.38	1.25	80.00†	15.38	1139.38
20 GEN MANUFACTURERS(262)	2100.46	+0.2	2095.89	2115.55	2128.05	1741.60	3.56	4.34	28.88	23.14	1053.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(13)	1666.18	-0.3	1670.28	1688.91	1692.75	1718.70	5.55	15.26	7.71	3.48	801.18
69 NON-FINANCIALS(631)	1707.83	+0.7	1695.50	1707.60	1714.92	1505.83	3.67	5.93	20.46	16.49	1185.55
70 FINANCIALS(103)	2162.58	+1.0	2122.98	2148.99	2183.97	1867.70	4.14	7.48	15.79	39.57	844.93
71 Banks(10)	2708.05	+3.1	2626.12	2674.35	2738.28	2292.70	3.98	7.33	16.18	55.86	800.28
73 Insurance(16)	1306.79	+1.0	1293.82	1291.07	1296.87	1269.00	4.89	10.72	10.49	27.84	863.05
74 Life Assurance(6)	2377.47	+0.2	2373.21	2367.04	2407.49	2482.80	5.23	7.87	18.09	68.38	902.56
75 Merchant Banks(6)	2886.12	+0.7	2866.31	2947.73	2969.24	2397.70	3.31	10.56	11.02	23.28	863.75
77 Other Financial(24)	1887.36	-0.2	1891.92	1899.36	1892.45	1422.70	3.51	6.61	16.16	18.85	891.38
79 Property(39)	1626.43	+0.4	1620.31	1636.96	1648.32	1208.30	3.76	3.81	32.90	8.21	911.88
80 INVESTMENT TRUSTS(122)	2929.08	+0.5	2916.06	2838.30	2846.37	2239.20	2.17	1.60	68.13	18.84	941.81
89 FT-SE-A ALL-SHARE(856)	1572.45	+0.0	1558.59	1570.95	1580.44	1377.63	3.69	6.09	19.99	17.11	1216.16

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3067.9	3063.1	3075.7	3088.9	3100.2	3101.7	3101.7	3097.5	3105.9	3106.3	3058.2
FT-SE Mid 250	3757.5	3754.5	3758.7	3765.5	3767.4	3768.0	3768.2	3768.9	3770.3	3770.6	3752.8
FT-SE-A 350	1563.7	1561.5	1566.8	1573.0	1577.2	1577.8	1577.9	1576.1	1579.7	1579.9	1558.7

Time of FT-SE 100 High 4.26pm Low 8.40am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1247.2	1248.5	1263.2	1261.6	1261.6	1261.8	1261.8	1261.8	1264.8	1264.6	1247.4	+17.2
Pharmaceuticls	2755.8	2743.2	2768.7	2775.3	2778.2	2776.8	2776.4	2766.8	2758.6	2755.4	2751.2	+4.2
Water	1674.2	1669.7	1654.6	1655.0	1654.0	1654.8	1654.8	1652.2	1659.4	1661.0	1666.0	-5.0
Banks	2657.3	2667.5	2697.0	2722.3	2732.1	2724.1	2726.7	2724.6	2740.9	2738.9	2657.0	+81.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Oct	Jan	Puts Jul	Oct	Jan
Allied-Lyons	540	43	52½	–	14½	21½	–
(*576)	588	16	27½	–	41	47½	–
Argyll	240	28½	24	28½	13	17	21½
(*251)	260	8½	14½	10	25½	29	33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Aug	Nov	Puts May	Aug	Nov
Hanson	260	8	18½	21½	1½	9½	14½
(*267)	280	1	7½	12½	14½	21½	28
Lasmo	134	18½	26½	28½	1½	8	0
(*150)	154	5	14	16½	7½	14½	15½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]
[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	18	5
Other Fixed Interest	0	1	14
Mineral Extraction	54	74	73
General Manufacturers	120	131	418
Consumer Goods	36	47	109
Services	84	87	345
Utilities	24	8	13
Financials	109	86	183
Investment Trusts	111	70	291
Others	52	45	33
Totals	642	566	1484

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 3	Last Declarations	Aug 11
Last Dealings	May 20	For settlement	Aug 22

Calls: LIG, Radius. Puts & Calls: Argyll, Bula Res, TR Tech, Tesco.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	40.8	102	98	Abtrust High Inc	102	+1	–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
-	Nil	–	3pm	1pm	Abtrust Scotland	1½pm	
390	Nil	17/6	79pm	28pm	Airtours	79pm	+39
82	Nil	2/6	4½pm	1½pm	Albert Fisher	3½pm	-¼
210	Nil	9/5	390pm	145pm	Brit Bio-Tech Uts	145pm	-30
55	Nil	-	16pm	5pm	Dale Electric	5pm	
500	Nil	26/5	63pm	58pm	Derwent Valley	58pm	-2
0	Nil	27/5	¼pm	¼pm	Era	¼pm	
25	Nil	-	10pm	9pm	Guinness Peat	9½pm	
182	Nil	15/6	27pm	15pm	Huntam Armley	15pm	-2
105	Nil	27/5	65pm	18pm	LASMO	43pm	
425	Nil	27/5	67½pm	54pm	Meyer	67½pm	
25	Nil	–	4pm	1¼pm	Pentos	1¼pm	
100	Nil	31/5	28pm	13pm	Simon Eng	28pm	
2	Nil	24/5	¾pm	¼pm	Tamaris	¾pm	
330	Nil	8/6	43pm	29pm	Williams Hldgs	30pm	

FINANCIAL TIMES EQUITY INDICES

	May 5	May 4	May 3	Apr 29	Apr 28	Yr ago	*High	*Low
Ordinary Share	2481.9	2463.8	2494.1	2505.8	2504.2	2188.5	2713.6	2439.2
Ord. div. yield	4.01	4.03	3.93	3.97	3.97	4.23	4.05	3.43
Earn. yld. % full	5.47	5.49	5.42	5.40	5.41	6.37	6.51	3.82
P/E ratio net	19.82	19.56	12.79	10.37	19.85	19.44	33.43	18.46
P/E ratio nil	20.51	20.45	20.69	20.77	20.75	18.17	30.80	20.37

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2462.6	2458.0	2465.8	2477.2	2482.1	2482.5	2482.8	2478.7	2482.4	2483.5	2453.5

	May 5	May 4	May 3	Apr 29	Apr 28	Yr ago
SEAQ bargains	23,992	22,864	24,632	24,222	26,405	28,151
Equity turnover (£m)†	-	1224.5	1248.4	1237.1	1771.3	1374.4
Equity bargains†	–	25,966	27,406	27,846	31,464	32,175
Shares traded (ml)†	-	494.7	507.3	484.0	683.6	612.1

1 Excluding intra-market business and overseas turnover.

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£24	-1½	£25½	£13½	1,532	3.1	17.5
Barlow		£5⅛	+⅛	£5⅞	£3½	994.1	3.9	9.2
Gold Flds Prop R		£1	—	108	78	9.30	10.0	8.1
MK Props	§	98	—	95	67	3.62	9.8	37.0
SASOL	♥	338	-12	382	255	1,918	4.6	-
SA Brews		£13½	-⅛	£15⅞	216	7,297	2.0	22.3
Tiger Oats		744	-44	838	538	1,117	2.2	15.7
Tongaat-Hulett	†	608	-8	614	434	453.6	2.5	15.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☩ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT6216. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	27.41	27.41	29.15	-0.6	-
Pacific Basin	5	39.33	39.33	41.84	-0.77	0.6
Can Balanced Gwth	5	31.28	31.28	33.28	[illegible]	-
Global Gold	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Family Shares	6	28.3	30.09	32	+0.2	1.5
Whittingdale Unit Tst Mngmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0482						
Challenger	2½	92.20	92.20	94.34	-1.05	0.00
Short Dtd Gilt	1½	107.9	107.9	109.5	-0.79	0.00
U.S. Govmt Bond	1½	[illegible]	[illegible]	[illegible]	[illegible]	2.27
Gilt Income	4	49.94	49.94	51.37	[illegible]	7.00
Gilt Growth	4	67.36	67.36	70.05	-1.00	0.00
City Reserve	0	32.38	32.38	32.38	-	4.30
Woolwich Unit Trust Managers Ltd (1700)H						
2 Watling Oak Square, Swanley BR8 7AG 081-298 4000						
Stockmarket Fd	5	79.12	79.16	84.20	+0.45	1.74

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gros
Baillie Gifford & Co Ltd				
Int'l Expt May 4	770.7	798.3	-	0.98
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1000 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	59.44	61.61	+0.74	3.1
Income Plus	59.77	61.95	+0.41	6.1
CAF – Charity Money Management				
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	74.91	76.78	-	3.75
Income	60.90	61.90	-	6.70
CIS Unit Trust Managers Ltd				
Co-op Bank Exmpt Ex Apr 15	[illegible]	[illegible]	-	3.18

For James Capel see HSBC Asset Mngt Europe Ltd

Cent. Bd. of Fin. of Church of England‡

2 Fore Street, London EC2Y 5AQ 071-588 1815

[illegible]

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey National Life Plc				
201 St Vincent Street, Glasgow 041 305 8000				
Managed	113.7	119.7	+0.3	-
UK Equity	113.7	119.7	+0.4	-
International	119.6	125.9	+0.1	-
Deposit	100.7	106.0	-	-
Pension Managed	114.9	121.0	+0.3	-
Pension UK Equity	114.9	120.9	+0.3	-
Pension International	123.9	130.5	-0.3	-
Pension Deposit	102.7	108.2	-	-
Acorn Life Assurance Ltd				
The Rotunda, Egham, Surrey TW2 9DT 0784 475335				
Fixed Interest	185.18	195.07	-0.34	-
Index Linked Gilts	187.75	197.63	-0.83	-
UK Equity/UK Eq Inc	316.80	333.57	+0.71	-
Sml Cos/UK Eq Gwth	241.58	254.00	+0.61	-
Nth American	150.67	158.28	+0.50	-
Far Eastern	453.93	433.37	-0.80	-
European	216.20	227.60	-3.10	-
Managed	252.56	270.50	+0.18	-
World Growth	215.74	227.01	-0.14	-
Money	162.76	171.34	+0.02	-
Pen Fixed Interest	236.04	248.46	-0.41	-
Pen Index Linkd Gilts	201.61	212.22	-0.86	-
Pen UK Eq/UK Eq Inc	489.96	514.63	+1.39	-
Pen Sml Cos/UK Eq Gwth	323.89	340.93	+0.94	-
Pen Nth American	157.63	165.92	+0.69	-
Pen Far Eastern	720.51	758.45	-1.72	-
Pen European	217.80	229.26	-2.62	-
Pen Managed	348.91	367.27	-0.36	-
Pen World Growth	236.76	249.25	-0.28	-
Pen Money	203.85	214.57	+0.04	-
AEGON Life Assurance Co (UK) Ltd				
AEGON Hse, Lanark Sq, London E14 9XS 071-538 3800				
Life Series 6				
Aggressive Pfolio Fund	162.5	171.1	-0.6	0.0
Balanced Pfolio Fund	449.3	474.4	-0.6	0
Cautious Pfolio Fund	162.0	171.5	-0.6	-
Elite Fund	153.7	162.7	-0.6	-
European Fund	157.0	166.7	-1.1	-
Far East Fund	143.5	151.7	-0.7	-
Fixed Interest Fund	314.6	332.9	-0.5	-
International Fund	371.7	393.4	-2.0	-
Money Fund	246.6	261.0	-	-
N. American Fund	219.6	232.7	-1.6	-
Property Fund	475.7	503.4	-	-
UK Equity Fund	533.6	595.7	-	-
[illegible]	86.40	91.00	-	-
[illegible]	231.7	245.1	-	0
Heritable Tst Fund	107.6	114.6	-0.1	-

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc
28 St Andrew Sq, Edinburgh 031-556 9101

[illegible]

Scottish Life Investments
67 St Andrew Square, Edinburgh 031-225 2211

[illegible]

Sun Alliance Group - Contd.

[illegible]

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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Lombard Odier – Contd.

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

For Royal Trust see Royal Bank of Canada

Schroder Mngt Services (Jersey) Ltd

Scrimgeour Kemp-Gee Mngmt., Jersey

LUXEMBOURG (SIB RECOGNISED)

EquiFund–Wright National Eqty Fd (u) (x)

14 Rue Aldringen, L-1118 Lux

Fidelity Funds (u)

Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174

Major Market Funds

Country Select Funds

Bond Funds

Prices as at May 4

Fleming Group (u)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

MARKETS REPORT

Dollar holds firm

Central bank intervention to support the dollar appeared to have worked yesterday as the US currency traded in a fairly stable range against the D-Mark and the yen, *writes Philip Gawith.*

The dollar closed yesterday in London at DM1.6682 against the D-Mark from DM1.662 on Wednesday. Against the yen it finished at Y102.695 from Y102.205.

There was no sign of central bank intervention, with the market seemingly taking a breather ahead of the release of important US non-farm payroll data today.

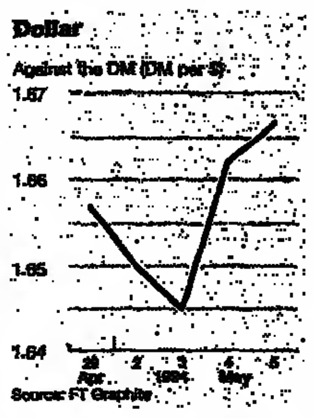
Few observers believe the dollar's woes are behind it. The focus of attention now is on what sort of follow-up activity can be expected. Options include further intervention, US or German interest rate changes supportive of the dollar, or market-access measures in the case of Japan.

Elsewhere the French franc was firm after the Bank of France cut its intervention rate by ten basis points to 5.60 per cent. The peseta and the escudo were weak after the overnight arrest of the former Bank of Spain governor for tax fraud. Swedish and Austrian interest rates were also cut.

■ Analysts said the sight of up to 17 central banks operating in concert on Wednesday appeared to have "frightened off" the market. Mr Akis Karayiannis, head of foreign exchange at Lehmann Brothers, commented: "Markets will perhaps take on a central bank if its on its own. But if more than three banks do something in the market, the market will respect that."

Fresh impetus for the markets could come today with the release of labour market statistics. The market is anticipating a 200,000 increase in jobs. If the figure is less than anticipated, this would aggravate the dollar's woes by undermining the consensus view that another Fed tightening is imminent.

The market yesterday was concerned with trying to understand why the intervention had taken place, what it sought to achieve, and what more can be anticipated. Mr Karayiannis disputed the view that a change of trend was taking place. "Central banks are concerned about volatility. They do not change trends. I think they want to smooth the process, not to change the direction."



■ Pound in New York

May 5	Latest	Prev. close
£ spot	1.4990	1.5020
1 mth	1.4977	1.5001
3 mth	1.4964	1.4991
1 yr	1.4934	1.4960

Mr Steve Hannah, head of research at IBJ International in London, commented: "The intervention by itself is helpful, but not a sufficient condition to arrest the dollar's downward move." He suggested that it needed to be supported by shifts in interest rates, with US rates rising and German rates falling. Attention will be on the Bundesbank council when it meets next Wednesday to see whether it cuts the discount rate.

One possible complication for the Bundesbank in supporting the dollar is that this inflates the money supply, already well beyond its target range. The Bundesbank will hardly welcome further complications in an area that has already caused embarrassment.

If the bank chooses to counteract this effect by draining money from the system, it will put upward pressure on money market rates at a time when it is hoping to ease policy. If the intervention is left unsterilised, this will put downward pressure on money market rates.

The fact that intervention would then be working with the grain of money market trends - supporting lower rates in Germany and higher rates in the US - leads some analysts to argue that the intervention has a good chance of succeeding.

■ The D-Mark was firmer against most European currencies yesterday. It closed at FFr3.428 against the French franc from FFr3.424.

The Portuguese escudo continues to suffer from the fall-out of the political scandal in Spain. It finished slightly weaker at Es103 from Es102.8.

The Spanish peseta, however, recovered some ground after prime minister Mr Felipe Gonzalez said he had no intention of resigning and would continue as head of government.

■ The after-effects of Wednesday's intervention was seen in German money markets yesterday, with call money easing to 5.35/5.45 per cent from 5.45/5.55 per cent. Analysts said this reflected the anticipation of rate cuts, sparked by comments earlier this week from Bundesbank council members, as well as the expectation of a large inflow of cash from the currency intervention.

This bullish sentiment was also evident in the futures market, with the June euromark contract settling at 95.05, thirteen basis points up. Volumes were good with over 47,000 lots traded.

Sterling futures also finished higher. The June contract closed at 94.59, up from 94.56. Volumes were fairly light, with only 9,482 lots traded. In the UK money market, the Bank of England provided £320m of late assistance. Earlier the Bank had provided £373 assistance, after forecasting a £850m shortage.

Sterling had a steady day, tracking the dollar, and finished at DM2.4969 from DM2.491. Against the dollar it was barely changed at $1.4968 from $1.4988.

■ OTHER CURRENCIES

May 5	£	$
Hungary	153.795 - 153.891	102.750 - 102.800
Iran	2635.00 - 2641.00	1748.00 - 1750.00
Kuwait	0.4443 - 0.4432	0.2969 - 0.2974
Poland	33371.9 - 33442.9	22300.0 - 22340.0
Russia	2773.60 - 2784.06	1853.00 - 1860.00
U.A.E.	5.4965 - 5.5076	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5509	+0.0464	532 - 665	17.5879	17.4770	17.5097	0.3	17.5505	0.2	-	-	113.7
Belgium	(BFr)	51.3984	+0.1477	599 - 369	51.4892	51.0948	51.4234	-0.6	51.4434	-0.4	51.2484	0.3	115.0
Denmark	(DKr)	9.7705	+0.0309	647 - 762	9.7964	9.7120	9.7807	-1.2	9.794	-1.0	9.8037	-0.3	114.9
Finland	(FM)	8.1013	+0.018	828 - 101	8.1270	8.0610	-	-	-	-	-	-	81.9
France	(FFr)	8.5580	+0.0283	532 - 606	8.5795	8.5030	8.5623	-0.6	8.5658	-0.5	8.5298	0.3	107.6
Germany	(DM)	2.4969	+0.0059	960 - 977	2.5066	2.4813	2.4967	0.1	2.4959	0.2	2.4784	0.8	123.3
Greece	(Dr)	367.378	+0.846	942 - 813	367.813	365.512	-	-	-	-	-	-	-
Ireland	(I£)	1.0296	+0.0014	288 - 304	1.0327	1.0253	1.0302	-0.8	1.0315	-0.7	1.0335	-0.4	103.3
Italy	(L)	2407.00	+4.27	547 - 852	2422.47	2405.47	2413.2	-3.1	2423.6	-2.8	2456.80	-2.1	77.8
Luxembourg	(LFr)	51.3984	+0.1477	599 - 369	51.4892	51.0948	51.4234	-0.6	51.4434	-0.4	51.2484	0.3	115.0
Netherlands	(Fl)	2.8042	+0.0066	029 - 054	2.8088	2.0711	2.8041	0.0	2.8029	0.2	2.7829	0.8	118.5
Norway	(NKr)	10.8384	+0.0395	351 - 417	10.8598	10.7588	10.8328	0.6	10.8453	-0.3	10.8365	0.0	94.8
Portugal	(Es)	257.217	+1.072	949 - 484	257.498	254.884	258.192	-4.5	260.137	-4.5	-	-	-
Spain	(Pta)	205.384	+0.083	275 - 493	207.398	205.151	205.919	-3.1	206.959	-3.1	209.984	-2.2	84.8
Sweden	(SKr)	11.5543	+0.0299	464 - 621	11.6058	11.4981	11.5753	-2.2	11.6113	-2.0	11.7303	-1.5	77.2
Switzerland	(SFr)	2.1234	+0.0033	225 - 242	2.1272	2.1107	2.1215	1.0	2.1168	1.2	2.0847	1.8	117.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.2970	+0.0045	965 - 975	1.2997	1.2882	1.2979	-0.8	1.2985	-0.5	1.2945	0.2	-
SDR†	-	0.944892	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4950	-0.0027	946 - 954	1.4995	1.4916	-	-	-	-	-	-	-
Brazil	(Cr)	2079.78	+30.69	942 - 014	2084.00	2042.00	-	-	-	-	-	-	-
Canada	(C$)	2.0747	-0.003	736 - 758	2.0832	2.0711	2.0761	-0.8	2.0803	-1.1	2.0984	-1.1	86.6
Mexico	(New Peso)	4.9498	+0.0167	414 - 581	4.9581	4.9414	-	-	-	-	-	-	-
USA	($)	1.4968	-0.002	965 - 970	1.5015	1.4937	1.4955	1.0	1.4942	0.7	1.4906	0.4	65.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0941	-0.0088	930 - 952	2.1121	2.0862	2.0926	0.9	2.0903	0.7	2.0883	0.3	-
Hong Kong	(HK$)	11.5643	-0.0162	620 - 666	11.6012	11.5411	11.5513	1.3	11.5459	0.6	11.4968	0.6	-
India	(Rs)	46.9612	-0.0625	377 - 646	47.0950	46.8610	-	-	-	-	-	-	-
Japan	(Y)	153.709	+0.524	646 - 772	154.300	152.600	153.334	2.9	152.619	2.8	148.824	3.2	186.5
Malaysia	(M$)	3.9866	-0.0257	844 - 888	4.0195	3.9803	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5907	-0.0071	887 - 927	2.5979	2.5843	2.5936	-1.3	2.5979	-1.1	2.6065	-0.6	-
Philippines	(Peso)	40.7117	+0.0192	803 - 430	40.9435	40.4595	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6134	-0.0071	122 - 145	5.6299	5.6021	-	-	-	-	-	-	-
Singapore	(S$)	2.3315	-0.0014	303 - 326	2.3368	2.3289	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4205	+0.0192	173 - 236	5.4490	5.3968	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1695	+0.0802	533 - 856	7.2537	7.1005	-	-	-	-	-	-	-
South Korea	(Won)	1208.53	-1.65	618 - 688	1210.21	1204.22	-	-	-	-	-	-	-
Taiwan	(T$)	39.6938	+0.043	722 - 154	39.8000	39.6300	-	-	-	-	-	-	-
Thailand	(Bt)	37.7481	-0.0367	268 - 693	37.8380	37.6860	-	-	-	-	-	-	-

†SDR rate for May 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.7320	+0.047	295 - 345	11.7575	11.6590	11.747	-1.5	11.757	-0.9	11.7323	0.0	103.1
Belgium	(BFr)	34.3400	+0.1465	200 - 600	34.4100	34.0600	34.38	-1.4	34.43	-1.0	34.38	-0.1	104.6
Denmark	(DKr)	6.5276	+0.0295	250 - 305	6.5481	6.4728	6.5396	-2.2	6.5563	-1.7	6.5641	-0.6	103.8
Finland	(FM)	5.4126	+0.0194	076 - 176	5.4295	5.3698	5.4166	-0.9	5.4236	-0.8	5.4336	-0.4	78.8
France	(FFr)	5.7170	+0.0267	155 - 185	5.7330	5.6660	5.7256	-1.8	5.7338	-1.2	5.728	-0.2	104.3
Germany	(D)	1.6682	+0.0062	679 - 685	1.6719	1.6540	1.6697	-1.1	1.6705	-0.5	1.6612	0.4	104.6
Greece	(Dr)	245.450	+0.9	200 - 700	245.700	243.900	249.2	-18.3	256.575	-18.1	285.45	-16.3	70.2
Ireland	(I£)	1.4538	-0.0039	529 - 546	1.4638	1.4477	1.4512	2.1	1.4474	1.8	1.4393	1.0	-
Italy	(L)	1608.15	+5.05	740 - 890	1610.75	1603.55	1613.7	-4.1	1622.15	-3.5	1648.15	-2.5	78.1
Luxembourg	(LFr)	34.3400	+0.1455	200 - 600	34.4100	34.0600	34.38	-1.4	34.43	-1.0	34.38	-0.1	104.6
Netherlands	(Fl)	1.8735	+0.0083	730 - 740	1.8780	1.8574	1.8751	-1.1	1.876	-0.5	1.8802	-0.4	104.0
Norway	(NKr)	7.2413	+0.0382	403 - 423	7.2610	7.1794	7.25	-1.5	7.2625	-1.2	7.2733	-0.4	95.0
Portugal	(Es)	171.650	+0.95	700 - 000	172.000	170.150	173.085	-8.6	175.05	-7.4	180.05	-4.8	93.2
Spain	(Pta)	137.220	+0.23	170 - 270	138.450	136.950	137.7	-4.2	138.52	-3.8	140.87	-2.7	79.9
Sweden	(SKr)	7.7198	+0.0305	156 - 235	7.7562	7.6632	7.7431	-3.7	7.7824	-3.3	7.8916	-2.2	82.8
Switzerland	(SFr)	1.4187	+0.0042	183 - 190	1.4218	1.4070	1.4385	-15.0	1.4176	0.3	1.4018	1.2	104.0
UK	(£)	1.4968	-0.002	965 - 970	1.5015	1.4937	1.4955	1.0	1.4942	0.7	1.4908	0.4	88.1
Ecu	-	1.1541	-0.0058	538 - 543	1.1684	1.1500	1.1523	1.8	1.1507	1.2	1.1517	0.2	-
SDR	-	1.42537	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9988	-0.0005	987 - 989	0.9990	0.9987	-	-	-	-	-	-	-
Brazil	(Cr)	1389.53	+22.37	952 - 954	1389.54	1389.52	-	-	-	-	-	-	-
Canada	(C$)	1.3862	-0.0001	858 - 865	1.3880	1.3858	1.3884	-1.9	1.3925	-1.8	1.4077	-1.6	82.9
Mexico	(New Peso)	3.3070	+0.017	020 - 120	3.3120	3.2500	3.308	-0.4	3.3098	-0.3	3.3172	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3991	-0.0039	986 - 996	1.4081	1.3931	1.4003	-1.1	1.405	-1.7	1.4156	-1.2	86.1
Hong Kong	(HK$)	7.7263	-0.0002	260 - 265	7.7265	7.7260	7.7293	-0.5	7.7363	-0.5	7.7601	-0.4	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3725	31.3650	31.4338	-2.5	31.5688	-2.6	-	-	-
Japan	(Y)	102.695	+0.49	670 - 720	103.090	101.800	102.54	1.8	102.145	2.1	99.83	2.8	149.6
Malaysia	(M$)	2.6636	-0.0135	625 - 645	2.6775	2.6623	2.6585	3.2	2.641	3.4	2.7035	-1.5	-
New Zealand	(NZ$)	1.7309	-0.0024	298 - 319	1.7319	1.7286	1.7322	-0.9	1.7367	-1.3	1.7586	-1.6	-
Philippines	(Peso)	27.2000	+0.05	500 - 500	27.3500	27.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0004	502 - 505	3.7506	3.7502	3.7511	-0.2	3.7534	-0.3	3.7649	-0.4	-
Singapore	(S$)	1.5577	+0.0012	572 - 582	1.5588	1.5545	1.5571	0.5	1.5566	0.3	1.5552	0.2	-
S Africa (Com.)	(R)	3.6215	+0.0177	200 - 230	3.6388	3.6015	3.638	-5.5	3.664	-4.7	3.757	-3.7	-
S Africa (Fin.)	(R)	4.7900	+0.06	800 - 000	4.8400	4.7450	4.824	-8.5	4.884	-7.8	-	-	-
South Korea	(Won)	806.100	-	000 - 200	806.200	805.800	809.1	-4.5	812.6	-3.2	831.1	-3.1	-
Taiwan	(T$)	26.5200	+0.065	100 - 300	26.5300	26.4500	26.5855	-3.0	26.686	-2.5	-	-	-
Thailand	(Bt)	25.2200	+0.01	100 - 300	25.2300	25.1600	25.3	-3.8	25.425	-3.3	25.945	-2.9	-

†SDR rate for May 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 4. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.01	16.65	4.857	2.002	4684	5.456	21.09	500.5	399.5	22.48	4.131	1.946	4.036	2.911	299.1	2.524
Denmark	(DKr)	52.60	10	8.757	2.555	1.053	2464	2.870	11.10	263.3	210.1	11.82	2.173	1.024	2.123	1.531	157.3	1.328
France	(FFr)	60.06	11.42	10	2.917	1.203	2813	3.277	12.67	300.8	239.9	13.50	2.481	1.169	2.424	1.748	179.6	1.516
Germany	(DM)	20.59	3.914	3.428	1	0.412	964.3	1.123	4.343	103.0	82.25	4.627	0.851	0.401	0.831	0.599	61.58	0.520
Ireland	(I£)	49.94	9.495	8.315	2.426	1	2339	2.725	10.53	250.0	199.5	11.22	2.063	0.972	2.016	1.454	149.4	1.260
Italy	(L)	2.135	0.406	0.355	0.104	0.043	100.	0.116	0.450	10.69	8.529	0.480	0.088	0.042	0.086	0.062	6.386	0.054
Netherlands	(Fl)	18.33	3.484	3.051	0.890	0.367	858.4	1	3.866	91.73	73.22	4.118	0.757	0.357	0.740	0.534	54.81	0.463
Norway	(NKr)	47.41	9.013	7.893	2.303	0.949	2220	2.587	10	237.3	189.4	10.65	1.958	0.923	1.913	1.380	141.8	1.196
Portugal	(Es)	19.98	3.799	3.327	0.970	0.400	935.8	1.090	4.215	100.	79.82	4.491	0.825	0.389	0.806	0.582	59.76	0.504
Spain	(Pta)	25.03	4.759	4.168	1.216	0.501	1172	1.366	5.280	125.3	100.	5.626	1.034	0.487	1.010	0.729	74.87	0.632
Sweden	(SKr)	44.49	8.459	7.408	2.161	0.891	2084	2.428	9.385	222.7	177.7	10	1.838	0.866	1.796	1.295	133.1	1.123
Switzerland	(SFr)	24.21	4.602	4.030	1.176	0.485	1134	1.321	5.106	121.1	96.70	5.440	1	0.471	0.977	0.705	72.40	0.611
UK	(£)	51.39	9.770	8.556	2.496	1.029	2407	2.804	10.84	257.2	205.3	11.55	2.123	1	2.074	1.496	153.7	1.297
Canada	(C$)	24.78	4.711	4.125	1.203	0.496	1161	1.352	5.227	124.0	98.99	5.569	1.024	0.482	1	0.721	74.11	0.625
US	($)	34.35	6.531	5.719	1.668	0.688	1609	1.874	7.246	171.9	137.2	7.721	1.419	0.668	1.386	1	102.7	0.867
Japan	(Y)	334.4	63.57	55.67	16.24	6.695	15660	18.24	70.53	1673	1336	75.15	13.81	6.506	13.49	9.733	1000.	8.439
Ecu		39.62	7.533	6.597	1.924	0.793	1856	2.162	8.358	198.3	158.3	8.905	1.637	0.771	1.599	1.153	118.5	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6042	0.5992	-0.0053	0.6043	0.5977	62,941	114,715
Sep	0.5977	0.5990	-0.0051	0.5991	0.5977	436	3,950
Dec	0.5990	0.5990	-0.0060	0.5990	0.5990	131	208

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9843	0.9750	-0.0089	0.9843	0.9721	27,422	62,192
Sep	0.9852	0.9815	-0.0089	0.9852	0.9800	384	3,286
Dec	0.9885	0.9880	-0.0108	0.9885	0.9870	92	850

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7105	0.7053	-0.0065	0.7105	0.7037	18,083	40,824
Sep	0.7057	0.7075	-0.0069	0.7075	0.7055	87	788
Dec	-	-	-	-	-	-	-

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5010	1.4974	-0.0036	1.5010	1.4920	18,106	46,110
Sep	1.4920	1.4944	-0.0050	1.4960	1.4920	240	1,190
Dec	-	1.4930	-	-	1.4900	9	37

EMS EUROPEAN CURRENCY UNIT RATES

May 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.796646	+0.000045	-1.48	4.76	10
Netherlands	2.19672	2.16686	+0.00014	-1.36	4.63	-
Belgium	40.2123	39.7236	+0.0077	-1.22	4.47	6
Germany	1.94964	1.92927	-0.00039	-1.04	4.28	-
France	6.53883	6.61482	+0.00428	1.16	2.02	-10
Denmark	7.43679	7.55625	+0.00661	1.61	1.57	-11
Portugal	192.854	197.717	-1.156	2.52	0.67	-17
Spain	154.250	159.184	+0.412	3.21	0.00	-22
NON ERM MEMBERS						
Greece	264.513	283.964	-0.199	7.35	-3.86	-
Italy	1793.19	1867.71	+6.92	4.16	-0.91	-
UK	0.786749	0.772137	-0.003285	-1.85	5.16	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.425	7.15	7.13	7.32	-	0.06	0.37
1.450	4.68	4.67	5.29	-	0.29	0.81
1.475	2.40	2.93	3.55	0.14	0.84	1.56
1.500	0.69	1.53	2.24	0.94	1.88	2.62
1.525	0.09	0.67	1.30	2.76	3.46	4.16
1.550	-	0.23	0.69	5.15	5.51	6.03

Previous day's vol., Calls 13,445 Puts 21,872 . Prev. day's open int., Calls 452,714 Puts 410,263

WORLD INTEREST RATES

MONEY RATES

May 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.70	-	7.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.70	-	7.75
Germany	5.40	5.33	5.20	5.13	5.07	6.50	5.00	5.47

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.93	95.05	+0.13	95.07	94.93	47632	201265
Sep	95.14	95.25	+0.13	95.27	95.14	62283	162942
Dec	95.03	95.15	+0.14	95.17	95.03	51732	177387
Mar	94.96	95.04	+0.11	95.06	94.92	37159	166630

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures traded on APT

■ $ LIBOR FT London Interbank Fixing

EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

May 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5	5¼ - 5	5 3/16 - 5	5¼ - 5⅛	5½ - 5⅜	6 - 5⅞
Sterling CDs	-	-	5⅛ - 5 1/16	5 5/16 - 5 3/16	5⅝ - 5 9/16	5 15/16 - 5¾
Treasury Bills	-	-	4 15/16 - 4⅞	4 31/32 - 4 29/32	-	-
Bank Bills	-	-	4 15/16 - 4⅞	4 31/32 - 4 29/32	5⅛ - 5 1/16	-
Local authority deps.	4 13/16 - 4 11/16	4 15/16 - 4 13/16	5 1/16 - 5	5 3/16 - 5 1/16	5⅜ - 5¼	5 9/16 - 5 7/16

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.14	0.15	0.10	0.05	0.38	0.82
9475	0.04	0.08	0.06	0.20	0.63	1.08
9500	0.01	0.03	0.03	0.42	0.73	1.25

Est. vol. total, Calls 10301 Puts 3184. Previous day's open int., Calls 172728 Puts 156520

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 5 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (May 5 / Frs.)

[illegible]

DENMARK (May 5 / Kr)

[illegible]

FINLAND (May 5 / Mkk)

[illegible]

FRANCE (May 5 / Frs.)

[illegible]

GERMANY (May 5 / Dm.)

[illegible]

ITALY (May 5 / Lira)

[illegible]

NETHERLANDS (May 5 / Fls.)

[illegible]

NORWAY (May 5 / Kroner)

[illegible]

SPAIN (May 5 / Pta.)

[illegible]

SWEDEN (May 5 / Kronor)

[illegible]

SWITZERLAND (May 5 / Frs.)

[illegible]

PACIFIC

JAPAN (May 2 / Yen)

[illegible]

HONG KONG (May 5 / H.K.$)

[illegible]

MALAYSIA (May 5 / MYR)

[illegible]

SINGAPORE (May 5 / S$)

[illegible]

AUSTRALIA (May 5 / Aust.$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (May 5 / Can $) 4 pm close

[illegible]

MONTREAL (May 5 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (May 5 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – [illegible]

FT FREE ANNUAL REPORTS SERVICE [illegible]

INDICES

	May 5	May 4	May 3	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19199.22	18908.22	25478.40	18/2	17768.90	20/4
Australia							
All Ordinaries(1/1/80)	1988.1	2018.4	2044.2	2340.80	3/2	1988.10	5/5
All Mining(1/1/80)	904.6	918.4	942.6	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	421.73	426.15	427.92	480.66	2/2	413.73	25/4
Traded Index(2/1/91)	1084.0	1100.50	1108.08	1222.25	1/2	1067.92	25/4
Belgium							
BEL20 (1/1/91)	1533.95	1540.17	1538.40	1542.85	9/2	1482.76	30/3
Brazil							
Bovespa (29/12/83)	(u)	15738.0	16484.0	17257.00	2/5	3860.90	5/1
Canada							
Metals Minls♦(1975)	(u)	3521.21	3353.38	3879.50	18/3	3290.05	20/4
Composite♦ (1975)	(u)	4269.20	4283.60	4808.90	23/3	4105.90	20/4
Portfolio§§ (4/1/83)	(u)	1973.95	1980.61	2182.80	1/2	1913.37	19/4
Chile							
IPGA Gen (31/12/80)	(u)	4162.61†	4164.4	4867.80	4/2	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	377.04	379.19	383.05	415.73	2/2	370.74	3/1
Finland							
HEX General(28/12/90)	1807.7	1826.3	1880.5	1972.80	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1438.25	1431.93	1452.88	1686.20	2/2	1402.90	21/4
CAC 40(31/12/87)	2182.62	2141.57	2178.99	2355.93	2/2	2061.94	31/3
Germany							
FAZ Aktien(31/12/58)	848.83	854.85	852.20	858.72	2/5	776.30	2/3
Commerzbank(1/12/53)	2430.6	2455.6	2447.2	2465.50	2/5	2221.20	2/3
DAX (30/12/87)‡	2235.84	2249.02	2252.29	2288.86	2/5	2020.33	2/3
Greece							
Athens SE(31/12/80)	987.17	990.11	987.14	1194.58	18/1	954.39	12/4
Hong Kong							
Hang Seng(31/7/64)	8412.86	8369.44	8879.13	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	3623.6	3600.4	3572.1	4287.39	28/2	3484.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	462.56	462.64	460.34	612.88	5/1	454.32	26/4
Ireland							
ISEQ Overall(4/1/88)	1824.38	1821.50	1853.23	2082.16	20/1	1801.85	5/4
Italy							
Banca Comm Ital (1972)	774.04	783.18	788.71	813.63	27/4	588.65	10/1
MIB General (4/1/94)	1249.0	1264.0	1285.0	1312.80	27/4	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	(c)	(c)	(c)	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	(c)	(c)	(c)	304.26	1/3	268.22	4/1
Topix (4/1/68)	(c)	(c)	(c)	1659.27	16/3	1445.97	4/1
2nd Section (4/1/68)	(c)	(c)	(c)	2280.82	22/4	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1007.01	1028.25	1042.02	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2235.12	2239.23	2881.17	8/2	1957.23	20/4
Netherland							
CBS TtlRtnGen(End 83)	432.0	430.2	432.6	454.30	31/1	417.40	5/4
CBS All Shr (End 83)	277.8	277.3	280.0	294.80	31/1	268.00	31/3
New Zealand							
Cap. 40 (1/7/86)	2012.82	2073.05	2085.58	2438.84	3/2	2012.82	5/5
Norway							
Oslo SE(Ind)(2/1/83)	1102.52	1094.86	1089.83	1211.16	28/2	1072.87	3/1
Philippines							
Manila Comp (2/1/85)	2980.00	3094.05	2937.93	3388.27	4/1	2567.23	9/3
Portugal							
BTA (1977)	3012.1	3055.8	3087.4	3226.80	18/2	2819.90	3/1
Singapore							
SES All-S'pore(2/4/75)	569.89	574.27	577.42	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	1819.0▼	1859.0	1935.0	2331.00	4/1	1749.00	14/2
JSE Ind. (28/9/78)	6345.0▼	6378.0	6383.0	6415.80	2/5	5446.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	(c)	922.33	917.35	978.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	316.25	311.57	317.35	358.31	31/1	309.33	20/4
Sweden							
AffarsvardsGen (1/2/37)	1523.90	1513.70	1515.8	1669.90	31/1	1403.60	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1289.32	1301.47	1317.42	1423.34	31/1	1288.84	2/3
SBC General (1/4/87)	952.01	961.97	975.04	1083.29	31/1	952.01	5/5
Taiwan							
WeightedPr.(30/6/66)**	5916.77	5907.54	5800.35	6454.52	6/1	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	(u)	1352.37	1258.51	1753.73	4/1	1156.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	15900.5	15130.9	14845.9	28883.88	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)	609.5*	610.7	615.8	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1449.10	1447.68	1466.35	1540.19	31/1	1393.80	2/3
Euro Top-100 (26/6/90)	1254.67	1245.48	1260.15	1311.01	2/2	1202.49	2/3
JCapelDgns (31/12/88)	(u)	299.20	305.22	395.19	5/1	298.28	21/3
Barings Emerg.(7/1/92)	148.26	150.22	151.22	182.72	14/2	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	2130.0	2161.0	+22.0	2163.0	2130.0	26,424	21,108
Jun	2113.5	2143.5	+22.0	2137.5	2112.5	445	30,569
Jul	2110.5	2140.5	+22.0	2110.5	2110.5	1	120

Open interest figures for previous day.

** Sat Apr 30: Taiwan Weighted Price 5737.30; Korea Comp Ex 906.72. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 0 - 2249.76 +7.93

US INDICES

Dow Jones	May 4	May 3	May 2	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3697.75	3714.41	3701.02	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.97	98.12	98.18	105.61 (21/1)	97.97 (4/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1642.03	1646.44	1647.55	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.90	196.46	197.54	227.86 (3/1)	192.99 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3730.17 (3736.12) Low 3670.09 (3669.70) (Theoretical♠) Day's high 3715.80 (3714.41) Low 3685.29 (3683.77) (Actual♠)

Standard and Poors	May 4	May 3	May 2	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	451.72	453.03	453.02	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	525.61	525.56	528.32	558.59 (2/2)	510.05 (21/4)	558.59 (2/2/94)	3.62 (21/6/32)
Financial	43.71	43.89	43.80	46.56 (31/1)	41.30 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.75	251.36	251.40	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.79	442.38	440.20	487.89 (2/2)	427.50 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	740.30	738.37	740.58	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Apr 29	Apr 22	Apr 15	Year ago
Dow Jones Ind. Div. Yield	2.76	2.79	2.77	2.90
	May 4	Apr 27	Apr 20	Year ago
S & P Ind. Div. yield	2.48	2.46	2.55	2.52
S & P Ind. P/E ratio	23.99	23.94	23.24	26.22

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	450.85	450.70	-0.35	451.75	450.30	59,383	191,734
Sep	-	-	-	-	-	-	-
Dec	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Syntex	4,802,800	23⅜	–
RJR Nabisco	4,144,700	6¼	-⅛
Time Warner	3,514,800	39½	+⅛
Dular Power	3,137,100	35⅜	-⅛
Telefonos	2,837,400	56⅜	-⅜
Williams	2,425,500	28	+3½
Chrysler	2,403,000	47	-⅛
Airtouch	2,303,000	24⅜	+¼
Gen Motors	2,296,900	56⅜	-⅜
Motorola	2,239,500	44⅜	+¼

■ TRADING ACTIVITY

● Volume (million)

	May 4	May 3	May 2
New York SE	267.941	287.965	299.258
Amex	15.291	17.710	16.070
NASDAQ	(u)	302.081	254.077
NYSE			
Issues Traded	2,780	2,784	2,782
Rises	913	987	1,221
Falls	1,185	1,103	947
Unchanged	682	694	614
New Highs	35	39	40
New Lows	62	55	47

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close May 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	14½	AAR x	0.40	0.1	520	143	15⅞	15⅝	15⅝	-⅛
18⅞	13⅞	A L Labs A	0.18	1.3	32	76	14½	14	14⅛	-⅛
65½	57⅞	AMP x	1.68	2.6	23	1590	u65⅞	64⅝	65⅛	+½
72¾	52⅛	AMR			30	2382	60¼	59	59⅞	+⅛
5	3⅝	ARX			15	271	4⅜	4¼	4⅜	+⅛
56½	38⅝	ASA	2.00	5.0	26	216	41⅛	40	40	-1⅜
30⅝	25⅝	AbbtL	0.76	2.7	18	13288	28⅞	28⅜	28½	-⅛
13¾	11⅞	Abitibi Pf	0.50	4.1	6	7	12⅛	12	12⅛	+⅛
13¾	11⅞	Acptncaln			23	12	12⅝	12½	12⅝	
61	24½	ACE Ltd	0.40	1.4	4	191	28¾	28⅜	28½	-¼
12½	10⅛	ACM Gvt In x	1.56	13.6		457	11	10⅞	11	
10⅛	7⅞	ACM GvOpp x	0.80	3.6		89	8½	8⅜	8⅜	-⅛
10⅝	8⅜	ACM Gvt Sp x	0.96	11.3		245	8⅝	8½	8½	-⅛
12	9⅞	ACM Gvt Se x	1.08	11.1		336	10	9⅞	9⅞	-⅛
11¾	8¾	ACM Mam x	1.56	11.9		83	9⅝	9½	9⅝	
9¾	6	ACM Mangd x	0.72	3.6		19	8½	8⅜	8⅜	-⅛
15½	8¾	AcmeClv x	0.44	3.2	18	337	14	13⅝	13¾	-¼
8½	7⅜	Acme Elect			34	13	8	7⅞	7⅞	-⅛
28⅝	23	Acordia	0.60	2.1	14	158	u28⅞	28¼	28⅝	
9⅜	5¾	Actava	0.80	4.1	3	275	8⅝	8¼	8¼	-⅛
14	11¼	Acuson			107	305	u14	13¾	14	+¼
18¼	16½	Adams Exp	0.46	2.8	6	27	17¼	17	17	
84	48½	Ad Micro	3.00	5.6		21	54⅛	53¼	53¼	-½
31⅛	16¾	AdvMic	3.00	12.0	19	5016	26¼	24⅞	25	-¼
6⅞	5⅛	Advest Grp	0.16	3.1	6	203	5⅝	5¼	5¼	
20	16¾	Advo Inc	0.10	0.6	115	28	17½	17¼	17¼	-⅛
57¼	49⅜	Aegon ADR	2.95	5.7	11	28	51⅞	51	51⅜	-⅜
55¾	49¾	AetnaL x	2.70	5.1	8	5479	54¼	53½	53⅞	+1

Continued on next page

4 pm close May 5

NYSE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
18½	13⅝	SbyIO	0.80	2.4	8	361	15⅛	14¾	15⅛	+⅛
27	10¼	Safeway			24	1433	24⅝	24⅜	24⅝	+⅛
6⅞	4⅞	SafewayW95				5	5⅜	5⅜	5⅜	-⅛
57⅞	50¼	StJoePaper	0.20	0.4	298	34	50⅞	50⅜	50⅝	-¼
30¼	28	StJosL&P x	1.00	6.3	14	14	20⅞	28⅝	28⅝	
00	76⅜	StPaul	3.00	3.8	8	4298	79½	78¼	79⅛	+⅞
9⅜	6¾	Salant Crp			0	14	7¾	7¾	7¾	
40⅞	38¼	Sallie Mae	1.40	3.5	8	3289	40¾	40	40⅜	-¼
18⅞	11⅞	Salomon Br x	0.28	2.3		108	12½	12⅜	12⅜	-⅛
32¾	44¾	Salomn	0.64	1.3	8	8448	50¾	49¼	50	+1¾
25	21½	SDgGE	1.52	7.2	11	1037	21¾	d21	21⅛	-½
10	7½	SantaFeERs	0.16	1.9	8	313	8⅞	8⅝	8⅝	-⅛
40	34⅝	SantaFePac x	2.80	7.7	17	90	36½	36¼	36⅜	+¼
26¼	21	SanFeP	0.10	0.5	11	2294	31¾	d20⅞	21¼	-⅜
26	20⅛	SaraLee	0.64	3.0	14	9275	31⅜	20¾	21¼	+¼
50⅛	44½	Scana Corp	2.82	6.1	12	121	46½	46⅛	46¼	+⅜
20½	15⅜	Scecrp	1.42	9.1	10	9027	15¾	15½	15⅝	+⅛
48½	34¾	ScheringP			28	55	37⅝	37⅜	37⅛	-¼
69⅝	54½	SchrPl a	2.04	3.2	14	3505	64¼	63¼	63¼	-¼
61½	50⅜	Schlmb	1.20	2.2	22	1801	55⅜	54¾	55	
33	25⅞	Schwab(C) x	0.20	1.0	13	580	28¾	20	28	-½
18¾	8⅛	Schwitzer			26	58	9⅜	9	9⅛	+⅜
36⅞	24⅞	SciAtl	0.12	9.4	67	1639	33½	32⅛	33½	+⅝
16⅞	13⅛	Scotsman	0.10	0.7	13	114	14¼	13⅞	14	

1994 High	1994 Low	Stock
18¾	18	TMP Enterp
77⅞	63½	TRW
11⅝	7⅛	T2 Medcl
39⅞	22⅝	Taiwan Fd
7⅞	6⅜	Talleyind
12¾	18	Talley Pf
44½	34¾	Tmbrds
18⅞	10⅞	Tandem
49⅞	30¼	Tandy
12¼	10	Taurus Mun
22⅝	16¼	Taco Energ
33⅝	23⅝	Tktrnx
4	2⅛	Telecco
20⅝	14¼	Teldyn
48⅛	34⅝	TeleEspSA
76	50⅛	Telmex
54¾	43¾	Tmplnl
30⅝	19½	TempltEmMk
8⅞	8⅞	TempltGlob
8	6¾	TempltGFd
58¾	47¾	Tenneco
30	25⅝	Teppco Pts x
31⅛	20⅝	Teradyne
9⅞	6⅛	Terex
8⅞	6¼	Terra Inds
12⅞	5¼	Tesoro

- V -

- W -

- X - Y - Z -

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- U -

4 pm close May 5

NASDAQ NATIONAL MARKET

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- J -

AMEX COMPOSITE PRICES

4 pm close May 5

AMERICA

US stocks wary ahead of economic data

Wall Street

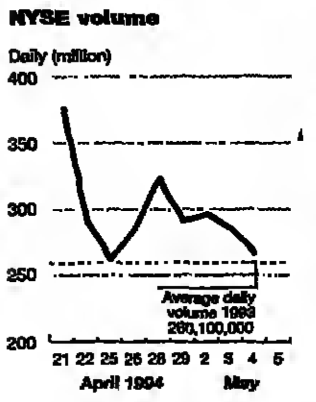
US stocks improved yesterday morning, though many investors were staying on the sidelines ahead of today's important economic data, *writes Frank McGurty in New York.*

By 1pm, the Dow Jones Industrial Average was 8.93 better at 3,706.68, while the more broadly based Standard & Poor's 500 inched 0.49 ahead to 452.21 in uninspired trading.

In the secondary markets, the American SE composite receded 1.35 to 442.44, but the Nasdaq composite added 1.67 at 741.97.

With the Labor Department due to release its report on April employment trends this morning, investors were generally unwilling to make fresh commitments. The data will give them the first comprehensive reading of the economy's strength in the second quarter, and could suggest the timing and aggressiveness of the Federal Reserve's next move to lift interest rates.

NYSE volume



Economists were expecting an increase in non-farm payrolls of about 170,000, after March's surge of 456,000, the largest monthly gain since October 1987. The announcement of a slight rise in claims for unemployment benefit last week gave reason to be optimistic that inflationary bottlenecks were not developing in the labour market.

Bonds were littla changed during the morning, but equity investors in recent sessions had tended to downplay movements in the Treasury market. A modest rally by the dollar against the yen and D-Mark was generally ignored.

With US chain stores reporting their April sales, retailers were relatively active. Analysts said the results, although mixed, were not a source of concern because the Easter shopping period had fallen in March this year.

Sears Roebuck gained $1 at $48⅝ on a 12.3 per cent sales jump for stores opened at least a year. Gap Stores, with no change in same-store sales, shed $⅝ to $47⅝.

FPL Group, the holding company for Florida Power & Light, dropped $2 to $31⅞ when Merrill Lynch lowered its ratings on the stock.

Among energy issues, British Petroleum ADRs jumped $2¾ to $71⅝ after posting strong first-quarter results. Chevron added $1 at $87⅞. Texaco was up $1 at $64⅞.

In financial services, Salomon climbed $2 to $50⅝ after its board waived a restriction preventing Berkshire Hathaway, controlled by Mr Warren Buffett, from raising its stake in the company to more than 20 per cent before October.

Canada

Toronto stocks drifted lower at midday as investors awaited details of the Ontario budget, due later in the session.

The TSE-300 composite index was off 8.72 at 4,260.41 in volume of 39.5m shares.

The precious metals index was down 1 per cent at midday, pressured by lower gold prices. Lac Minerals dipped C$⅛ to C$11⅞.

PanCanadian Petroleum was down C$1 at C$43⅞ after reporting slightly lower first quarter earnings on Wednesday.

EUROPE

Madrid rebounds after González performance

Bourses recovered some ground in the afternoon, with political uncertainties offering a variety of effects, *writes Our Markets Staff.*

MADRID got *another pound* of flesh as Mr Carlos Solchaga, effectively the Spanish Socialist party's chief whip, added his resignation to those of two other goverment ministers; but it enjoyed an unflappable performance from the prime minister, Mr Felipe González, who refused to resign and pointed to support from the Catalan nationists. The currency, bond and equity markets went up in tandem.

Mr Salvador Martinez, of the international sales desk at Asesores Bursatiles in Madrid, observed that equitities, down 6 per cent since the latest bout of *political scandals* began, would probably have risen if Mr González had resigned, or *called new elections. As it was,* the market got an interim conclusion and, after hitting a low of *307.57*, the general *index* responded with a rise of 4.68, or 1.5 per cent to 316.25.

AMSTERDAM was easier, although a sharp fall in Philips, on profit-taking following strong results earlier in the week, was set *against* a good gain in Royal Dutch. The AEX index slipped 1.01 to 410.73.

The markat remained slightly uneasy following this week's general election. This resulted in a loss of power for the Christian Democrat/Labour party coalition, and necessitated the search for what is expected to be a three-way combine.

NatWest Markets said that anew administration could be formed from the Labour party, the Christian Democrats and D66, a left-of-centre grouping, under the premiership of Mr Wim Kok, of Labour. This solution would be satisfactory for the Dutch financial markets, NatWest added, since there was *likely to be a continuation* of "the reasonably tough monetary and fiscal stance of the *previous Lubbers government,* with no threat to the strong guilder."

Philips fell Fl 3.10 to Fl 53.50, while its Polygram subsidiary added Fl 1.90 to Fl 75.80. James Capel yesterday downgraded Polygram to hold, and said that it preferred Philips on the basis that, in the short-term, cyclical stocks were likely to outperform the market.

Royal Dutch improved Fl 2.70 to Fl 200.70 helped by a gain in crude oil prices.

PARIS took comfort from another slight easing by the Bank of France in the *intervention rate* – the third in as many weeks – and the CAC-40 *index gained* 21.05 *or 1 per cent* to 2,162.62.

Turnover remained weak, *estimated at below FFr3bn.*

One of the day's features was Rhône-Poulenc, off FFr3.20 at FFr151.80, but up from a session low of FFr148.20, following a sharp fall in first quarter profits. The chemical group's results were in line with most analysts' expectations.

LVMH featured among the day's risers, the shares advancing FFr22 to FFr941, after it reported a 28 per cent increase in first quarter turnover.

FRANKFURT fell on the session, the Dax index losing 13.18 at 2,235.84 under pressure from *falling bond prices and worries* about the weakness of the US dollar. However, the afternoon sawa bounce in the bund future, said Mr Edgar Benischek, head of trading at Bank Julius Bär in Frankfurt, and tha Ibis-indicated Dax went along, reaching a post-bourse close of 2,249.78.

Turnover eased from DM8bn to DM7.8bn. Lufthansa resumed trading after a day's suspension to announce a rights issue and the *privatisation* of the government's stake in the airline; the share's outperformance over the past year, however, was reversed on profit-taking for a drop of DM13.80, or 6.3 per cent to DM206, and only slightly retrieved with a rise to DM208.40 after hours.

ZURICH focused on falls in shares influenced by Mr Martin Ebner's *BZ Bank as Swiss* equities continued their general downtrend.

The SMI blue chip index fell to a new closing low of 2,680.8, down 24.8 but up from an intra-*day low of 2,667.3.* Roche certificates, an Ebner target this year and an oasis of relative *strength* until recently, fell another SFr85 to SFr2,6265.

Meanwhile, the BZ quoted investment offshoots, BK Vision and PharmaVision, fell by SFr150 to SFr4,900, and by SFr60 to SFr1,375 respectively. There was talk that the BZ group's ability *to* continue buying its favoured stocks might be compromised by the recent ebb in enthusiasm for international equity investment.

MILAN fell back as the *market* remained beset by uncertainty regarding the formation of the new administration. The *Comit* index lost 9.15 or 1 per cent to 774.04.

Fiat went against the trend, *adding L150 to L6,790 on* an increase in car sales during April.

Fondiaria recaptured Wednesday's losses, up L935 to L16,505.

STOCKHOLM was encouraged both by a cut in interest rates and good first quarter results from Electrolux, whose B shares rose SKr6 to SKr429. The Affärsvärldan general index closed 10.2 higher at 1,523.9.

ISTANBUL extended its technical rebound, rising another 5.1 per cent for a three-day gain of 12 per cent after a fall of 37 per cent since mid-April. The composite index ended 769.7 higher at 15,900.68.

WARSAW saw a similar bounce, the Wig index rising 369.1, or 3.3 per cent to 11,389.4 after a fall of more than 20 per cent last week.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

May 5 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1436.06	1437.86	1438.61	1442.67	1446.38	1449.41	1449.87	1449.10
FT-SE Eurotrack 200	1457.26	1456.83	1457.40	1464.29	1466.46	1468.32	1466.56	1466.74

	May 4	May 3	Apr 29	Apr 28	Apr 27
FT-SE Eurotrack 100	1447.66	1466.35	1462.82	1468.98	1471.03
FT-SE Eurotrack 200	1458.96	1473.07	1476.09	1484.35	1490.74

Base 1000 (26/10/90); Highday: 100 - 1450.35; 200 - 1470.15 Lowday: 100 - 1437.81 200 - 1454.80

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Australia falls to 7-month low on job package worries

With the exception of Hong Kong and Bombay the region's markets were easier, partly affected by the overnight fall on Wall Street. Tokyo remained closed for Golden Week – the market reopens today – while Seoul and Bangkok were also on holiday.

AUSTRALIA fell as investors worried over what the government might do to finance its A$6.5bn job creation programme. The All Ordinaries index declined 30.3 to 1,988.1, its lowest close since October 1993. Turnover was A$581.6m.

The market has fallen 15.4 per cent from its all-time high of 2,350.1 set on February 3.

News Corp, which lifted its nine-month net profits by 54 per cent to A$991.6m, retreated 29 cents to A$9.22. Brokers remarked that the result was within expectations and that profits had been taken after the stock's recently strong performance.

Speculation that Leighton Holdings could win the bid for Sydney's A$800m casino, to be announced today, left the shares 10 cents up at A$2.30.

The golds index declined 40.5 to 2,001.0, with Newcrest shedding 25 cents to A$5.35.

HONG KONG staged a late technical rebound to finish modestly higher, the Hang Seng index gaining a net 43.44 at 8,412.88 after hitting an intraday low for the year of 8,249.20 in morning trade.

Sentiment remained weak, with the poor health of Deng Xiaoping, the Chinese leader, among factors overhanging the market. Properties, regarded as oversold in recent sessions, rose 220.05, or 1.6 per cent, to 14,405.71.

Among smaller stocks, Sum Cheong jumped 26 per cent, or HK$1.25 to HK$5.90 on rumours, later denied, that its application for a Singaporean listing was being reconsidered.

MANILA saw profit-taking after Wednesday's 4.3 per cent rise, with Philippine Long Distance Telephone leading the sell-off. The composite index dipped 84.05 to 2,980.00 in turnover of 1.4bn pesos.

PLDT receded 3.5 per cent to 1,925 pesos, largely on arbitrage related activity, although a 13 per cent fall in its first-quarter net profits affected sentiment.

KUALA LUMPUR recorded its largest single-day fall since April 4, the composite index dropping 21.24, or 2 per cent, to 1,007.01. Volume eased from 146.8m shares to 139.6m.

Golden Plus, an investment holding group, relinquished 60 cents to M$11.40 on profit-taking following a sharp rise last week on suggestions that it might establish a gaming venture in China.

SINGAPORE fell on light selling by foreign funds which, said brokers, could be switching into the cheaper Hong Kong stock market. The Straits Times Industrial index closed 23.34 lower at 2,277.74. Volume stayed thin, at 121.9m shares.

DBS Land eased 2 cents to S$4.68, although it denied that it was planning a share placing. Seapower Asia Investment, to be taken over by Richard Li, son of the Hong Kong billionaire Li Kah-shing, fell 31 cents to S$2.03, with investors disappointed by a poor offer price, S$1.45, and a weak 1994 outlook.

TAIPEI saw late profit-taking and, after a high of 5,993.03, the weighted index ended just *9.23 up at 5,916.77. Turnover* was T$89.8bn (T$84.29bn).

Plastics attracted late buying on expectations *for the industry's* improving profits. Formosa Chemical Fibres surged T$1.90 to *T$38.40* and *China* Petrochemical moved ahead 60 cents to T$27.60.

The textile sector *led early* gains on reports that Hualon Corp, a leading textile company, had been granted British loans for its investment in Northern Ireland. A Hualon spokesman *declined to confirm* the reports. Hualon ended 40 cents higher at T$26.90.

BOMBAY recovered *from* the day's lows on buying by Indian mutual funds and brokers on expectations that *the carry* forward or badla trading system would be reintroduced in the *near future. The BSE* index rose 13.76 to 3,614.24.

There was no immediate con*firmation from the government* of the rumour. The ban had been introdnced by the Securi*ties and Exchange Board of* India on the grounds that the local system of forward trading *had been leading to excessive* speculation.

WELLINGTON tumbled 2.9 *per cent to* a *1994 closing low* of 2,012.82, with the bearish tone set by Telecom, weaker in the *US overnight* and shedding 28 cents to NZ$4.65. Telecom reports annual results on *May 18.*

Weakness in Telecom flowed through into the other leaders, *but their falls were not nearly* as pronounced. Turnover, at NZ$60m, was at its highest *level so far this week.*

KARACHI closed higher on institutional support which arased early losses and took the KSE index up 23.65 to 2,405.37. **COLOMBO** put in a recovery after a bear run, the CSE all-share index improving 26.09 to 1,017.17 after a 12 per cent fall in the previous four trading days. Turnover rose from Rs142.8m to Rs191m.

SOUTH AFRICA

Investors took profits in subdued trading as political nervousness continned to dominate activity ahead of the delayed final election result.

The overall index fell 22 to 5,231, *industrials* 26 to 6,349 and golds 40 to 1,819. Anglos bucked the trend, adding R1 at R220, while De Beers slipped R1.75 to R105.25.

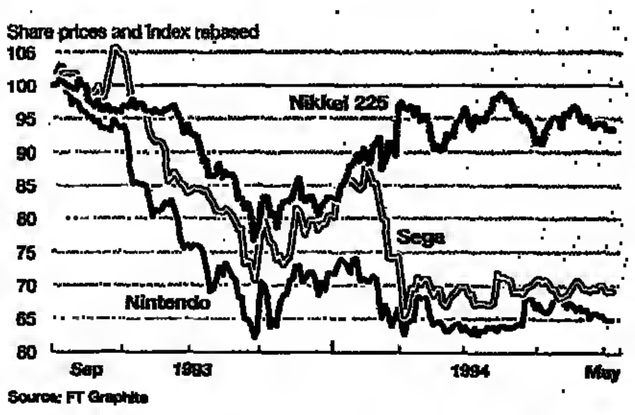
Nintendo shares no fun in 1994

Emiko Terazono on reaction to the gamemaker's revised forecasts

Nintendo, the Japanese leading video game maker, has had a bad time on the Tokyo stock market over the past seven months.

Poor sales in Europa, the strengthening of the yen, the lack of new products and increasing competition have hurt earnings, *forcing the company* to revise down its initial profits estimates for the business year ended last March.

This year the stock has lost 9.5 per cent, in sharp contrast to the Nikkei 225-share index which, in spite of its recent weakness, is still 12.3 per cent to the good.



Source: FT Graphite

There has been turmoil in video game shares since the Nintendo sell-off started last October, following its downward earnings revision. The revelation that the company would be posting its first earnings decline in a decade with pre-tax profits of Y121bn, against earlier expectations of Y170bn, prompted panic selling of the stock and of other game makers' shares, including Sega Enterprises.

Nintendo, hovering around Y9,400 before the *announcement*, plunged to Y7,000 by the end of the year, while Sega lost 23 per cent over the two months to December. The sharp falls followed a spectacular rise on growth expectations during the late 1980s. "Nintendo was overhought and is suffering an aftermath," says Mr Jason James, strategist at James Capel in Tokyo.

Many investors, tco, had not expected the company to be hit by the global recession and by competition in Europe, where it faced increasing competition from Sega. Nintendo was also slow in responding to consumer demand in quality graphics, and fell behind Sega in introducing 16-bit high quality video game hardware.

The unexpected appreciation of the yen has also hurt profits, since the company exports all of its products for the US markets from Japan. Company officials have hinted that the rise in the yen during the first quarter of this year may have done further damage.

For the current year, analysts are pessimistic. Nintendo wants to concentrate its resources on joint product development of a 64-bit machine with Silicon Graphics, the US computer company, and will not join the race with Matsushita Electric Industrial and Sony, the consumer electronics companies, and Sega all introducing new *32-bit* products this autumn.

Over the long term Nintendo may regain its innovative reputation dne to high-tech advances from Silicon Graphics. But in the short term its failure to bridge the new product gap between now and next year *is expected to undermine* its status as the industry leader.

For investors, Sega may now be the pick of the video games industry. To minimise currency risks and cut costs, the company has shifted 50 per cant of its production to Taiwan, Hong Kong and China, and is able to subsidise its earnings with income from its arcade business. "At the moment, Sega seems to be looking best for Christmas," says Mr Joseph Osha, an analyst at Baring Securities.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY MAY 4 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MAY 3 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	163.28	-0.5	161.51	105.49	141.08	152.37	-1.4	3.60	164.16	161.34	105.13	140.48	154.53	189.16	130.19	134.79
Austria (17)	179.80	-1.5	177.86	116.16	155.35	155.14	-0.6	1.00	182.49	179.36	116.67	156.17	156.11	195.41	139.53	142.46
Belgium (42)	174.93	-1.0	173.04	113.01	151.14	147.51	-0.1	3.71	176.67	173.64	113.14	151.18	147.60	176.67	141.92	147.80
Canada (106)	129.13	-0.6	127.73	83.42	111.57	129.62	-0.5	2.60	129.94	127.72	83.22	111.20	130.23	145.31	121.46	127.19
Denmark (32)	259.21	-1.8	256.40	167.46	223.98	229.09	-1.0	1.04	264.04	259.51	169.10	225.95	231.33	275.79	207.58	224.51
Finland (22)	150.92	-1.0	149.29	97.50	130.40	170.62	0.0	0.87	152.43	149.82	97.62	130.45	170.87	156.72	85.54	97.50
France (98)	174.69	-2.4	172.80	112.86	150.94	155.93	-1.5	2.85	179.02	175.95	114.65	153.20	158.34	185.37	149.60	162.39
Germany (58)	144.79	-1.2	143.22	93.54	125.10	125.10	-0.2	1.65	146.49	143.98	93.82	125.36	125.36	147.07	107.59	114.42
Hong Kong (56)	341.39	-3.6	337.60	220.49	294.69	338.55	-3.8	3.14	354.64	348.57	227.13	303.50	351.74	506.56	271.42	275.33
Ireland (14)	186.41	-3.3	184.40	120.43	161.07	180.19	-2.1	3.34	192.73	189.43	123.43	164.94	184.02	209.33	155.98	163.92
Italy (60)	91.58	-4.0	90.59	59.17	79.13	109.64	-3.0	1.58	95.37	93.74	61.08	81.62	113.02	96.03	57.88	70.64
Japan (469)	155.75	-0.9	154.07	100.62	134.58	100.62	0.0	0.80	157.12	154.43	100.62	134.46	100.62	165.91	124.64	146.78
Malaysia (36)	472.77	-1.7	467.66	305.43	408.49	487.42	-1.6	1.40	481.05	472.81	308.08	411.68	495.28	621.63	312.51	318.07
Mexico (18)	1944.86	0.2	1923.51	1256.46	1680.41	6995.89	0.3	0.72	1940.99	1907.70	1243.06	1661.02	6971.36	2647.06	1431.17	1486.61
Netherland (26)	201.04	-1.9	198.87	129.89	173.71	171.15	-1.1	3.28	205.02	201.51	131.30	175.46	172.67	207.43	163.30	169.55
New Zealand (14)	65.72	-0.1	65.00	42.46	56.79	60.49	-0.4	3.95	65.75	64.62	42.11	56.27	60.72	77.59	46.43	46.43
Norway (23)	194.34	-1.1	192.24	125.55	167.92	190.06	-0.2	1.75	196.52	193.15	125.85	168.17	190.51	206.42	150.61	163.68
Singapore (44)	348.02	-1.1	344.26	224.84	300.70	249.63	-1.0	1.61	352.02	345.99	225.45	301.26	252.09	378.92	238.62	240.73
South Africa (59)	261.42	-3.6	258.59	168.89	225.87	270.27	-0.6	2.29	271.28	266.63	173.74	232.15	272.75	280.26	175.98	188.30
Spain (42)	136.43	-3.7	134.95	88.14	117.88	141.69	-2.1	4.21	141.70	139.27	90.75	121.26	144.60	155.79	116.33	132.54
Sweden (36)	226.91	-1.2	224.45	146.60	196.06	258.28	-0.3	1.54	229.78	225.78	147.12	196.59	259.06	230.02	163.85	173.73
Switzerland (48)	157.43	-2.3	155.72	101.71	136.02	136.06	-1.6	1.74	161.15	158.38	103.20	137.90	140.27	176.56	121.14	122.90
United Kingdom (205)	189.46	-1.8	187.41	122.40	163.70	187.41	-0.8	3.95	192.44	189.14	123.25	164.69	189.14	214.96	170.32	179.46
USA (519)	184.26	-0.2	182.26	119.04	159.20	184.26	-0.2	2.90	184.69	181.52	118.28	158.05	184.69	196.04	178.95	181.23
EUROPE (723)	168.96	-1.9	167.15	109.17	146.00	158.95	-1.1	2.81	172.27	169.32	110.33	147.42	160.69	178.58	141.58	147.90
Nordic (113)	214.87	-1.3	212.54	138.81	185.65	213.68	-0.4	1.35	217.74	214.00	139.44	186.33	214.76	220.60	155.82	166.73
Pacific Basin (750)	163.02	-1.0	161.26	105.32	140.86	110.08	-0.3	1.09	164.74	161.92	105.51	140.98	110.45	166.60	134.79	149.94
Euro-Pacific (1473)	165.35	-1.4	163.56	106.82	142.87	129.14	-0.7	1.86	167.72	164.84	107.41	143.53	129.99	170.78	141.96	148.94
North America (625)	180.83	-0.2	178.88	116.83	156.24	180.48	-0.2	2.89	181.29	178.18	116.10	155.14	180.92	192.73	175.67	177.87
Europe Ex. UK (518)	153.90	-2.1	152.24	99.43	132.98	140.85	-1.2	2.30	157.25	154.55	100.70	134.56	142.54	157.47	122.37	128.11
Pacific Ex. Japan (281)	235.60	-2.0	233.05	152.21	203.57	215.27	-2.2	2.77	240.45	236.33	153.99	205.78	220.18	299.21	181.46	181.46
World Ex. US (1656)	166.34	-1.4	164.54	107.46	143.72	132.30	-0.6	1.87	168.72	165.83	108.06	144.39	133.18	172.51	142.94	149.40
World Ex. UK (1970)	169.52	-0.9	167.68	109.52	146.47	144.71	-0.5	2.06	171.12	168.19	109.59	146.44	145.37	175.56	153.22	157.10
World Ex. So. Af. (2116)	170.75	-1.0	168.90	110.31	147.53	147.63	-0.5	2.24	172.42	169.48	110.42	147.55	148.37	178.58	155.00	156.99
World Ex. Japan (1706)	181.56	-1.1	179.60	117.30	156.88	176.51	-0.7	2.85	183.49	180.35	117.51	157.03	177.77	196.20	166.70	167.47
The World Index (2175)	171.29	-1.0	169.43	110.66	148.00	148.56	-0.5	2.24	173.01	170.05	110.80	148.06	149.31	178.37	155.17	159.07

Latest prices were unavailable for this edition. Market closed 4/5/94: Japan.

Jobs: The way that psychometric tests are applied is attracting renewed scrutiny

Laying down the laws of selection

Why do recruiters place so much store on paychometric testing? It is a question puzzling many would-be barristers who, in spite of sometimes dazzling academic records, have failed to win a place at the Bar law school this year.

One of the students who failed the selection system, which included the use of a critical reasoning examination – a type of ability test – was on Tuesday given leave to have a judicial review of the decision. This will examine the revised entry procedure, used this year for the first time in awarding the 800 places on the one-year vocational course that is the main requirement for entry to the Bar.

The irony is that tha new system, devised partly to sift out perceived prejudices, particularly against women and ethnic minority candidates, appears to have given minorities no hetter chance of entry and perhaps less than before.

There may be question marks, it seems, over the design of the selection system which was intended to broaden the basis of recruitment to the Bar. The motive was laudable. But some believe the law school should no longer retain its monopoly as the only route to the Bar.

The Council of Legal Education, which runs the course, is now looking at the possibilities of making changes to the way the tests are implemented. It may not have been unreasonable, however, to introduce additional aelection criteria, looking beyond the possession of university degrees.

Part of any new test might involve knowledge of the real world with multiple choice questions such as "Is Gazza (a) a city in Italy, (b) a place where Palestinians live, or (c) a footballer?" It is only two years ago, you may recall, that the High Court judge, Sir Jeremiah Harman, asked "Who is Gazza?" during a court hearing.

Sometimes the way that tests are applied can make little sense. British Rail was last year found to have discriminated against Asian rail guards who wanted to be train drivers. They were given verbal tests which they failed. When it was pointed out that verbal skills were ranked higher in the requirements for the jobs they were already doing than the jobs they had applied for, the industrial tribunal had no hesitation over ruling in their favour.

The problem with psychometric tests, as in many selection procedures, is probably one of balance in the way they are used. Finding that balance, given the continuing debate about the effectiveness of testing, is proving difficult and causing confusion among managers interested in exploring such methods.

Psychometric testing is divided into two areas – ability tests and personality tests or questionnaires. While ability tests in themselves appear to have widespread support among psychologists, there is dissenting opinion about the use of personality testing to measure performance (personality criteria were not used for the bar exam).

Steve Blinkhorn and Charles Johnson, occupational psychologist at Psychometric Research and Development, a St Alban's consultancy, earned the opprobrium of many of their fellow practitioners three years ago for casting doubt on the use of personality testing to predict job performance. They accused those who applied some tests of using pseudo science which, they said, "bamboozles an unsophisticated public".

It was strong stuff, particularly since it criticised some of the leading tests on the market. In the April edition of *The Psychologist* magazine they buttressed their arguments with further claims that "proponents of tha use of personality tests for occupational selection continue to play fast and loose with statistical methods, and to make claims which do not stand np to cloee inspection."

Their latest critique in *The Psychologist* concluded: "There is no body of public knowledge relating scores on personality tests taken as part of a selection procedure to objective criteria of later performance sufficient to form a basis of routine use of the tests, despite 40 or more years of research. Yet their routine use is widespread and growing."

Their argument is contradicted by leading test publishers such as Saville and Holdsworth. Roy Davis, the company's head of marketing, said the value of personality questionnaires as e predictor of success in a job was "statistically proven" but, he added, "they must be used with other evidence".

No wonder some recruiters have reservations. Many, however, do not. Employers appear to be placing increasing trust on the recruitment skills of their personnel departments who in turn are often eager to embrace the latest testing methods. "Going on tests and training courses is like getting a badge in the boy scouts for personnel officers," aald Blinkhorn.

He suggests that psychometric testing is being commandeered by personnel officers in order to better define their professional expertise. If this is true there may well be a danger of too much weight given to testing in selection. It should not become the altar on which bndding careers are sacrificed.

Whatever the outcome of the judicial review in the Bar selection case, the argument for a more considered evaluation of tests seems convincing.

● A report released by KPMG Peat Marwick last week showed that companies still had some way to go to bring their recruitment of non-executive directors into line with the requirements of the Cadbury report on corporate governance.

The finding that some 51 per cent of appointments were personal selections of the chairman might have raised a few eyebrows among Cadbury devotees but would have caused little surprise in many boardrooms more versed in the reality of selection.

That reality was underlined by other KPMG findings which showed that 12 per cent of appointments were on the recommendation of an investment institution, 12 per cent by another non-executive director, 11 per cent sourced independently through s recruitment consultant, 13 per cent from a oominations committee and just six per cent through ProNed, the search specialists for noo-executive directorships. The reason the percentages add up to more than 100 is that some replies gave multiple sources.

The fact that KPMG had dooe no specific analysis of womeo will have dismayed those who have been championing women as an important source of fresh blood for boardrooms.

Other findings of the report suggest that, while many companies may be attracting the quality of non-executive that they deserve, it might sometimes fall short of being the quality they require.

Nowhere is this more evident than in non-executives' use of informatioo sources. When they were asked from which sources they sought information prior to their appointment, many relied heavily on informatioo from the company itself. Even after their appointment few of them did much in the way of contacting external sources beyond talking to the auditors.

Less than a third of them said they consulted the press, spoke to brokers, bankers or institutional ahareholders. Less than 10 per cent bothered to consult ProNed and hardly anyone got in touch with the Confederation of British Industry.

The only group of non-executives more likely to look outside for information both before and after their appointment, it said, were those who had been recommended by an investment institution.

The report says rather delicately: "This ioward focus when seeking Informatioo prior to the appointment could suggest either a high degree of existing knowledge, complacency or lack of faith in external advisers." It could also reinforce the jaundiced belief that a non-executive directorship can he money for old rope.

Richard Donkin

PARIBAS CAPITAL MARKETS

Credit Risk Management

Banque Paribas is a leading international banking group operating in over fifty countries worldwide, with particular expertise in four core activities: capital markets, corporate banking, advisory services and asset management.

Paribas Capital Markets is a significant part of the bank's global operation, and as a genuinely international business, draws on the expertise of over 1500 staff in London, Paris, New York, Tokyo, Frankfurt, Geneva and Singapore. It provides a comprehensive range of products and services in the bond and equity markets, cunency and interest rate swaps and options, fixed income and equity derivative products and specialised financial instruments.

The Capital Markets Credit Department is responsible for conducting the entire credit and risk management process for all capital market transactions, with teams in London, Paris, New York, Tokyo and Singapore. As a result of continued growth the Capital Markets Credit Department is looking to strengthen its teams in both London and Paris.

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Based in Banque Paribas' Head Office, you will be responsible for establishing relationships with the senior management involved in credit decisions, determining trading limits and supporting credit applications through the credit committee. In addition, you will undertake analysis on a financial, country and products basis. The successful candidate, likely to be aged 28-36, will have a minimum of four years credit experience and display a sound knowledge of capital market products. Candidates should have the gravitas and maturity, combined with excellent communication skills, to command credibility at senior level. Fluency in French is essential.

London

Working in a small team, you will be responsible for analysing UK and Scandinavian companies to establish trading limits for all types of counterparties. You should have a minimum of two years credit analysis experience gained within a leading financial institution, strong communication skills and a reasonable understanding of capital market products.

Candidates for both positions must be professional, confident, articulate and able to deal effectively with a range of complex financial products. The salary packages will reflect the importance attached to these positions and will be commensurate with experience.

For information on either of these positions please contact our retained consultant Tim Smith on 071 831 2000 or write to him with full career details at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 071 405 9649. All enquiries will be handled in the strictest confidence. Please quote reference 176912.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

INTERNATIONAL CAPITAL MARKETS
SENIOR FIXED INCOME ANALYST
COMMERZBANK AG, London Branch

Commerzbank AG, one of the three major banks in Germany and an active participant in global financial markets is developing further its capabilities in the International Capital Markets. Specific emphasis is being given to the role of London Branch, which will be the Group's European trading centre for most non-Deutschemark fixed income products. As part of this planned and co-ordinated growth an opportunity has been created for a Fixed Income Analyst to work in London.

The ideal candidate is likely to possess an Economics Degree with a good understanding of fixed income related mathematics and have several years experience working in an analysis-orientated area of a large investment bank or securities house. Particular emphasis will be given to applying theory to practical aspects of the market, geared towards servicing major institutional customers and generating business flows.

The remuneration package will consist of a competitive salary plus the usual benefits associated with a large bank and a performance related bonus. Fluency in German will be an advantage, not a pre-requisite.

Individuals who consider themselves to have appropriate qualifications and who would like the opportunity to discuss the matter further should write to our **Personnel Manager, Miss Vanessa Lewiston, Commerzbank House, PO Box 286, 23 Austin Friars, LONDON EC2P 2JD enclosing a copy of their CV. All applicants can be assured of complete confidentiality.**

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Nicky Garrod, Recruitment Manager
Canadian Imperial Bank of Commerce
The Cottons Centre, Cottons Lane, London, SE1 2QL

UK Capital Markets Origination

London **£ Excellent**

Our client is a leading US investment bank, with a high profile in Derivatives, Treasury and Capital Markets. They are currently seeking an outstanding senior marketing professional to enhance their presence at a strategic level within the UK Corporate community.

The position will involve originating business from UK corporates across a broad range of capital market products including private placements, eurobonds, asset securitisation, tax efficient structures and restructurings. The successful candidate will be technically and analytically strong and be capable of contributing to the creation of new products across assets and liabilities with a focus on developing highly structured transactions.

Ideal candidates, probably in their mid 30s, will have the following attributes:

- At least six years experience of marketing to UK corporates;
- A proven track record of new business development;
- Instinctive understanding of derivatives, treasury and capital market products;
- Outstanding interpersonal and presentation skills;
- Strong academic qualifications.

This is an important and high profile role. The successful candidate will be rewarded with an excellent remuneration package.

Interested candidates should in the first instance write to Karina Pietsch, enclosing a full curriculum vitae, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Please quote reference 188363.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

Risk and Relationship Management

Our client is a major US Bank providing a full and innovative range of services to its clients throughout the world. It is now looking to add to its team of risk managers providing risk assessment covering Europe's financial institutions and related transaction services. They now seek to recruit a number of professionals to focus on several different areas. Candidates must be proactive team players, able to reach and defend decisions while balancing risk constraints with revenue potential. These are excellent opportunities to work for a highly prestigious Bank in a fast moving and ever changing business environment.

Investment Management

Focussing on the investment management sector, this role involves a high level of relationship management and client contact in addition to risk analysis. The Bank offers a range of credit products to its clients, including FX, futures, options, derivatives, custody services and securities lending. The appointment entails analysing the risks associated with counterparties and structuring and negotiating credit proposals. You will also be responsible for developing new business relationships based on understanding customer requirements and translating these to product specialists. A graduate with at least 5 years experience of developing and maintaining relationships, ideally with financial institutions, should have excellent presentation and communication skills and the ambition and motivation to succeed in this growth area.

Insurance

Covering designated sectors of the insurance industry, you will conduct financial analysis and structure, recommend and manage credit facilities through review of companies from both an individual and sectoral perspective. You will identify and assess risks as they arise within a substantial portfolio, liaising with clients to gather information as required. A graduate, you should have formal training from a high calibre bank and at least 5 years credit experience with a proven analytical track record. Previous knowledge of the insurance sector would be useful but is not a prerequisite. The insurance industry represents a key franchise for the Bank, which has a large market share in each of the broking, reinsurance, direct property/casualty and life sectors.

Securities and Trade Services

The Bank has developed a strong business in the provision of securities and trade related services to financial and other major institutions. Two positions now exist to focus on each of these areas. Key responsibilities include: establishing the risk criteria specific to each product; analysing and quantifying these risks; developing and enhancing methods to monitor product risk; conducting training sessions with various areas in the Bank to increase awareness of specific risks related to securities and trade products. Candidates need knowledge of relevant products such as trade services and structured trade finance, global custody and other securities products, with the capability to conduct wide ranging risk assessment, and the ability to work effectively in a team forming strong relationships internally. Individuals with analytical, systems, operations or asset structuring backgrounds would be of interest.

For information on these appointments, please contact our retained consultant Tim Smith, or write to him with full career details. Please quote ref. 155682.

All enquiries will be handled in the strictest confidence.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Sydney

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You must have:

- A good understanding of commercial realities in the private sector and public policy making and implementation at a senior level.
- Well developed and effective abilities in project development and management, goal oriented network building, team working, negotiation and deal-making, and getting other people to deliver.
- Enthusiasm, commitment, initiative, focus, stamina and good oral and written communication skills.
- A full driving licence and a reliable vehicle for business use (a lease car may be available).
- Competence in at least one other European Union language other than English, preferably French or German.

HULL

Application forms and further details are available from the Chief Personnel and Management Services Officer, Municipal Offices, Trippett Street, George Street, Hull, HU2 8AA, telephone (0482) 595267 (24 hour answering service) to whom they should be returned by THURSDAY 2ND JUNE, 1994.

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APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. For information on advertising in this section please call Gareth Jones on 071 873 3779 Andrew Skarzynski on 071 873 4054

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For further information, please contact Michele MacPherson on 071-623 1266

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN EXECUTIVE

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Nikko Europe Plc is the European headquarters of Nikko Securities, one of the world's leading securities firms and investment banks. Established in London in 1964, Nikko Europe provides brokerage and investment banking services in equities, bonds and derivatives, serving institutional clients throughout Europe, Africa and the Middle East.

Nikko Europe is at the forefront of the Group's global strategy to enhance its reputation and range of services in the international financial markets.

As part of a planned programme of major expansion of our London based operotion, we ore offering exceptional career opportunities to market professionals in a number of key business areas. Prospects for career progression ore excellent as the company is committed to a policy of placing responsibility for future growth and success on the skills and knowledge of locally appointed staff.

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KB

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It is expanding and upgrading its involvement in world-wide shipping finance and is seeking to recruit an experienced and successful banker in this sector to assist in this regard.

The position will involve responsibility for the development of KBFSI's business in this sector and for marketing, sourcing and completing appropriate transactions.

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Age level is likely to be in the mid to late 30's and the position is based in Dublin.

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Mr. L. Donlon
Executive Director
KB Financial Services (Ireland)
91 Merrion Square
Dublin 2
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FMS

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Individuals who feel they have the skills and experience to rise to the challenge of this role should send a copy of their CV, together with a note of current salary, to Shirley Knight at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 1DY.

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Salary and benefits will be commensurate with experience.

Interested applicants should write enclosing a complete curriculum vitae to Isabel Doverty, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

Salomon Brothers

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You must have at least **18 months' experience of pensions consultants' questionnaires;** and will be computer literate, possess good organisational and communications skills and be able to work to deadlines. You will be of graduate calibre and probably aged between 23 and 30. A competitive salary is offered together with attractive benefits.

Please apply in writing with your CV to Roger Hunt, Director of Marketing, AMP Asset Management plc, 55 Moorgate, Loodon EC2R 6PA by 18 May 1994.

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Please send cvs to Ron Bradley, Head of Executive Recruitment

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5259

JONATHAN WREN EXECUTIVE

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Philip Wrigley on
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Ideally aged 30-45, candidates will have excellent presentation and marketing skills and be able to demonstrate the drive and determination to succeed in this fast-moving and exciting market.

Interested candidates should send or fax full curriculum vitae, including details of current remuneration package, to Carol Jardine, Managing Director, Whitney Selection, 17 Buckingham Gate, London SW1E 6LB (fax 071-233 9334), quoting reference WS/69/1.

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Please contact Elizabeth Williamson

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ACCOUNTANCY COLUMN

Industry's cost-cutting pains US firms

Richard Waters reports on KPMG's attempts to cope with the malaise which still exists in the sector

If accounting firms in the developed world have had a tough time of it so far in the 1990s, then those in the US have suffered more than most. And if you were to pick a firm that exemplifies the pain of the past four years or so, you could hardly do better than KPMG Peat Marwick.

In 1993, Peat reported revenues in the US of roughly $1.8bn, the same as it has in each of the past four years (the firm's fiscal year runs to the end of June.)

In real terms, income has been falling at a time when costs have been rising steadily. To sustain partners' earnings, the firm has slashed partner numbers during the period by around 20 per cent, to just under 1,500. (It started culling partners soon after the 1987 merger between Peat Marwick and Main Hurdman.)

Peat is not alone, of course. Of the US firms, only Arthur Andersen and, to a lesser degree, Price Waterhouse, have managed to keep a degree of top-line growth. The products of the late-1980s mega-mergers have suffered more than most; Ernst & Young and Deloitte & Touche have also been forced to cut back partner numbers, though not to the same degree as Peat.

US accountants blamed the malaise for a long time on their country's early 1990s recession. Such claims have sounded increasingly hollow: the US economy came out of recession more than two years ago, at first fitfully and more recently with undeniable vigour. But the fortunes of the accounting firms have not responded as fast. Their fees have become just one more of the items that US industry, bent on squeezing out every unnecessary cost, has put under the microscope.

The experience has been a sobering one. Accounting firms spent much of the 1980s talking about becoming more useful to their customers, and less reliant on compliance products like doing audits and filling in tax returns. They are still talking about it - but there is little indication that this approach has reinjected any growth into the accounting business.

The man with the unenviable job of reinventing Peat in the US is Jon Madonna. Elected chairman in 1990, he has already presided over a painful downsizing. He could now be set to lead the firm into the next century. His 51st birthday is today, leaving him plenty of time to serve a second six-year term as chairman (should he be re-elected) before reaching Peat's retirement age of 60.

According to Madonna, the turning point has come: "What we went through in the last few years was a downsizing. Now, it's a growth strategy."

If he is right – a big "if" – the rest of the 1990s will be a more pleasant time for the accounting firms than the first part of the decade.

The starting point is a difficult one. "We've got productivity issues, we've got growth issues, we've got profitability issues. We're no different from any other industry here," says Madonna.

The US firms are reeling from the effects of cost-cutting already undertaken, and have yet to rebuild morale. The cost-cutting is unlikely to be at an end, though.

Technology has revolutionised the way companies and the investment community collect and analyse financial information. Accountants have long realised this, and have struggled to reinvent their role as an intermediary in the information chain: rather than collectors and collaters of financial information, they have tried to become interpreters and strategisers.

Yet the cost structures of the big US firms suggest that they have not made the sort of productivity gains that might be expected from this information revolution.

Since the middle 1980s, the ratio of partners to professional staff – one of the best indicators of productivity in any professional partnership – has hardly budged at several of the biggest firms, at around eight professionals to each partner. Nor has the ratio of non-professional (largely administrative) staff fallen. Cutting people has at least lifted the average revenues per partner, though.

"We're not as good as we should be [at measuring productivity]," admits Madonna. Productivity may be one of the biggest issues facing the profession; yet it continues to be overshadowed by an obsession with growth. Reinvigorating the top line is the first objective of all firms.

Peat's response has been to take a strategy common among all accounting firms in recent years one step further. "Industry specialisation" has been the mantra of the profession for at least a decade. Peat has now elevated it to become a *raison d'être*.

By last summer, the firm had, in the US, scrapped its traditional functional groups – audit, tax, consulting, and so on – and reorganised itself along industry lines.

Madonna says: "We're measuring ourselves by market – we will be able to tell you how much we generate in financial services, for instance."

That approach enables the firm to reward its staff according to how well their particular industry group does. Audit staff, the theory runs, will be more inclined to think creatively about other services that could help a customer if their own pay is more closely tied to the outcome.

Does fiddling with organisational structure in this way get to the root problems of the accounting firms? It is hard to argue against the approach: if the accounting firms find growth in the future, it must come from selling new services to their customers. Organising around customers, rather than around their own functional divisions, is a logical step.

Yet on its own, industry specialisation is not the answer. It did not prevent the problems of the early 1990s, and is unlikely to be a panacea in the future.

"On the face of it, it seems a good idea. But the world doesn't compartmentalise that way, it's too dynamic," says Bruce Marcus, a consultant on marketing for professional firms. More seriously, he adds, accounting firms have still not adapted to the competitive era ushered in as long ago as 1977, when the ban on advertising in the US was first lifted.

There are other, more serious management problems that hang over the accounting firms, notably the partnership structure itself. Having taken the first steps in the early 1980s to setting up quasi-corporate governance arrangements, accounting firms have failed to carry the process to its logical conclusion.

Madonna makes the most of the partnership system, even going so far as to suggest that the corporate world has moved closer to the partnership structure, rather than the other way around.

"A lot of corporate America is trying to manage itself as a partnership," he says. He suggests it is "very much in line with the stock option frenzy" which has seen companies increasingly offering senior employees an equity interest.

In reality, though, there is still a huge gulf between the consensual style of a partnership and the standard corporate management structure. Tackling this issue remains one of the basic challenges that accounting firms have shied away from.

If there is a model for the accountants to follow, perhaps it is the US investment banks. Small partnerships until the 1960s in most cases, they managed the transition to big, public corporations with spectacular success.

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Interested applicants should contact **Jon Boyle ACA** on **071-379 3333** or send a full Curriculum Vitae to him at **Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Fax 071-915 8714.**

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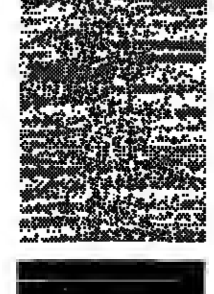

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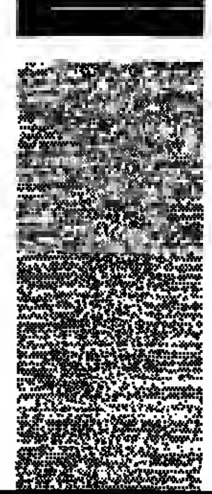

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Financial Management Opportunities in a Diverse Investment & Trading House

Our client is a long established financial services group providing fund management, money markets, equity and gilt edged market making, derivatives broking and consultancy to a broad range of institutions and corporates. A new management team has developed a strategy, style and divisional organisation structure that is well placed to deal with the changing needs of clients in a rapidly evolving financial world. As a result of these changes, three new appointments have arisen:

Deputy Group Financial Controller

Key aspects of the role will be monthly management reporting, budgeting, co-ordination of statutory accounts and consolidation, tax computations, liaising with subsidiaries, and ad-hoc project work.

Candidates will be qualified chartered accountants, aged 26-30 with a good knowledge of accounting standards, report writing and corporate tax with the ability to work on their own initiative and work to tight deadlines. Ref: J/071.

Assistant to Divisional Controller

Working in the core money markets business the appointed person will be responsible for: daily management reporting including trading profitability and capital usage, trade support covering bond trading, off balance sheet and customer dealing and compliance issues.

Candidates will be qualified accountants or graduates with a minimum of 2-3 years relevant experience. They should also have good communication skills and be a flexible team player. Ref: J/072.

Internal Auditor

Reporting to the Group Internal Auditor the appointee will be responsible for assisting in performing technology, operational, financial and compliance audits to ensure group assets are adequately protected. This will include all aspects of the AS400 computer system.

Candidates should be qualified accountants with relevant financial services audit experience or alternatively may be qualified by experience. Ref: J/073.

In the first instance, please contact Jonathan Williams or send full career details, *including* remuneration to *him*, quoting the appropriate reference number.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Telephone 071 831 2000. Fax 071 405 9649.

Finance Director

W Yorkshire — **c £35,000 + Bonus + Car**

Our client is a highly autonomous £7 million turnover engineering subsidiary of an acquisitive, rapidly expanding UK Plc and operates through four divisions. Following the promotion of the present incumbent they seek to appoint a Finance Director.

Reporting to the Managing Director, you will assume full responsibility for the financial management of the business. More specifically your duties will encompass management and statutory reporting, the development of computerised information systems and the maintenance of strict financial disciplines and controls within the company.

Candidates, aged 32+ will be graduate qualified accountants with strong experience of financial management gained in a component manufacturing environment along with a high degree of computer literacy. Well developed communication skills along with a high degree of personal presence and maturity will be essential to make a significant contribution to the profitable development of the company.

Interested candidates should forward a comprehensive curriculum vitae to Stephen K Banks, ACMA, at Michael Page Finance, 6th Floor, Aquis House, Greek Street, Leeds LS1 5RU. Reference 188158.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Group Accountant

Hong Kong/London — **£ Excellent Package**

Our client is a powerful, global investment manager with offices in the world's key financial centres. It currently manages over US $30 billion of funds for a wide range of both retail and institutional clients. With the polarisation of the fund management industry between global providers and small niche players, our client is uniquely positioned as a multi-market, multi-product business able to deliver tailored investment solutions.

Due to the ongoing development of the business a requirement has now arisen for a Group Accountant. This role will be initially based in the Hong Kong office with a view to transferring back to London after approximately six months. The special challenges will be to successfully migrate the non statutory functions back to the UK and to become actively involved in transferring the group reporting from the current Lotus based package to the new global general ledger system.

Other responsibilities will include:

- Analysis of local management accounts for Senior Group Management.
- Consolidation of group management reports, quarterly reforecasts, annual operating plan.
- Staff management.

The ideal candidate will be a graduate qualified accountant aged 26 to 32 with around 2-3 years post qualification experience. They must have detailed knowledge of Lotus and general ledger systems coupled with consolidation and management reporting skills. This is an exciting opportunity for a well motivated, adaptable and proactive individual who thrives on change and challenges.

This role will not only offer the immediate challenge of working in a dynamic city but the future prospect of progressing within one of the world's largest financial institutions. Remuneration will include a competitive base salary and other banking benefits. Interested applicants should forward their CV to Stephanie Warren, Michael Page Finance, Page House, 39-41 Parker Street, London, WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Financial Accountant

South West London — **c £35,000 + Bens**

Our client is a new joint venture set up within the service sector between three large international groups. The operation has already established sites in four locations in three European countries. The projected turnover in the first full year is in excess of £40m and as part of the plan to establish a head office finance team in London, the company is seeking to recruit a Financial Accountant.

Reporting to the Group Financial Controller, the responsibilities will include:

- Establishing financial controls at all four international sites.
- Establishing systems and models for monthly reporting of group operations.
- Statutory reporting for UK & Belgium.
- Tax reporting for UK, Belgium and France.
- Co-ordinating multi-currency treasury matters.
- Co-ordinating contracts with third parties.
- Co-ordinating all financial accounting aspects for France, UK and Belgium.

The successful candidate will be a qualified accountant with excellent communication skills, able to speak french fluently and have extensive experience of international accounting from both a professional and commercial aspect. Exposure to French or Belgian accounting will be preferred.

This is a rapidly growing business and it is essential that the individual has a flexible and enthusiastic approach to the work. The opportunities lie within both the business and the shareholding companies.

If you are interested in this position please send your curriculum vitae, to Peter Gerrard, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director

London — **c £60,000 + Car + Bonus**

Our client is a profitable, autonomous £150m turnover subsidiary of a prestigious plc. The business is international, has a dynamic, quality driven culture and is recognised as a market leader in its field, providing services to a wide customer base which includes many blue chip organisations.

The Finance Director, reporting to the Chief Executive, will be expected to make a significant personal contribution to profitability and to the growth of the business, which will be both acquisitive and organic. The Board works as a team and the support provided by finance is fundamental to the continued development of existing product lines, added value services and unparalleled excellence in customer satisfation. At the operational level, responsibilities include the leadership and motivation of a large team whilst constantly improving the quality of management information, planning, working capital management, financial control, statutory reporting and systems development.

We seek an ambitious, qualified accountant aged 35-45, with demonstrable success in all the above areas, gained within an organisation of similar culture and high professional standards. Flexibility, excellent interpersonal skills, self-motivation and a desire to make an impact on the business are essential.

Applicants should send a full CV quoting reference 187000 to Diane Forrester ACA, Executive Selection Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

YOUNG AMBITIOUS ACCOUNTANT

Lombard
BUSINESS · MOTOR · PERSONAL
FINANCE

£30,000 Package
Surrey

Our client, Lombard North Central PLC, is one of the country's premier finance houses, providing a diverse portfolio of quality financial products to all areas of the economy through their Business, Motor and Personal Sectors.

The size and diversity of the Lombard group, combined with the increasingly technical regulatory framework within which it operates, has lead to a vacancy for a young, recently qualified chartered accountant to work closely with the Assistant Director of Financial Control to provide technical expertise to the group. This broad based role will also involve quarterly consolidations, US GAAP analysis, competitor comparisons and ad-hoc projects.

Suitable candidates for this exciting opportunity within a major subsidiary of the National Westminster Bank group will have an excellent academic record and a 'Big 6' background, combined with the ability to communicate effectively at all levels. Experience of leasing and instalment credit would be an advantage.

Please send or fax details to Keith Tracy,
Heathfield Hargreaves Ltd, Chaucer House, 6 Boltro Road, Haywards Heath, West Sussex, RH16 1BB. Tel: 0444 416636 Fax: 0444 416002.

Applicants with a disability will be guaranteed an interview provided they are suitably qualified/experienced.

Lombard - Working to Achieve Equal Opportunities

HEATHFIELD HARGREAVES LIMITED
London Sussex Northampton

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please call:

Gareth Jones on 071 873 3779
Andrew Skarzynski on 071 873 4054
Philip Wrigley on 071 873 3351
Joanne Gerrard on 071 873 4153
Brian O'Neill on 071 873 4027
Rachel Hicks on 071 873 4798

Part of the NA Group

South Derbyshire — THE DENBY POTTERY COMPANY LTD — **£40,000 Package**

FINANCIAL CONTROLLER

The Denby Pottery Company Ltd is a well established, highly successful manufacturer of distinctive tableware. The Company is very profitable with a turnover in the region of £22 million, and is to be floated on the stock exchange in the next few weeks.

Reporting to the Finance Director, the role will encompass the day-to-day running of the Finance department, developing financial controls over the Company's international operations, and interpreting and improving management information.

Broader than a pure accounting role, it demands a constant contribution to the general management of the business, and to the development and implementation of its corporate strategy.

The ideal candidate will be a Qualified Accountant, aged 28-40, with a minimum of three years post-qualification experience within a manufacturing environment.

You will have excellent interpersonal skills, a high degree of professionalism, commitment and commercial acumen, along with a strong track record of achievement.

Building upon the flotation and continuing growth, the future will provide excellent prospects for the successful candidate.

A comprehensive benefits package is available, including executive car, bonus, and relocation assistance where appropriate.

Please submit a full CV to Tina Shortman at Nicholas Andrews, 11 St Peter's Gate, Nottingham, NG1 2JF. Tel: (0602) 414480 or Fax: (0602) 413652.

Nicholas Andrews — Specialists in Financial Recruitment

Finance Director

Horsham, West Sussex **to £35,000 + Car**

Out client is a fast growing player in the rapidly expanding and exciting business of direct telephone insurance broking. A subsidiary of a Plc which has strong institutional backing and specialist interests in niche market insurance services, the company is currently experiencing significant growth.

As a result of this expansion, they wish to appoint a Finance Director. This is a key role in developing the full potential of this business. Reporting to the Managing Director, you will take full responsibility for the finance function with a strong emphasis on implementing financial systems and stringent controls to ensure that the back office performs a highly effective support function for the front office. Direct reports include a Finance Manager and 6 staff.

This is a highly proactive role which requires an assertive and determined character who can demonstrate the ability to initiate and manage change in a challenging and progressive business.

The successful candidate will be an ACA, probably aged 28-35, with a good exam record preferably gained within a Big 6 environment. You will have a minimum of 3 years post qualified experience probably gained in a commercial environment. Candidates from practice will be considered but will have to demonstrate significant financial management and commercial ability. Experience of the insurance industry would be an advantage.

On offer is not just a posidon with significant growth and hence high earning potential, but the opportunity to genuinely influence the development of an exciting and growing business.

If you feel you have the background and ability to satisfy these requirements, send your curriculum vitae to Jonathan Ross, Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey, KT22 8AG, quoting reference J188412.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Head of Group Audit

East Anglia

Package up to c£60,000 pa

A truly international group which has operations in 120 countries worldwide and continually demonstrates strong financial performance. Our client operates within a rapidly changing consumer product and service environment where the energy and enthusiasm of its management team ensure that it is at the forefront of new developments in its markets.

As a result of an internal promotion this major career development opportunity has arisen. Reporting directly to the Chief Executive with a dotted line to the Finance Director you will be responsible for the effective direction and development of a number of teams of specialist Auditors.

The worldwide audit of the group and the development of audit procedures and processes are the main objectives but additionally you will provide a wider consultative and advisory service to line management and ensure audit input to Performance Engineering projects.

In order to effectively perform this role you will have broad experience of general business management as well as internal audit and will be a Qualified Accountant and/or MBA. You will also demonstrate:

- A balanced view between commercial reality and essential financial control.
- Excellent interpersonal and relationship management skills, with an ability to identify and respond to the needs of line management worldwide.
- An ability to devise audit schedules which reflect strong risk management awareness (non-financial as well as financial) with an ability to prioritise accordingly.
- A high level of perception, able to assess new business risk.
- A lively independent mind with the ability to debate sensitive, complex issues at the highest level.
- International experience with cultural sensitivity.

The role necessitates regular international travel.

A full relocation package will be available if required.

If you would like to discuss further how this opportunity could fit with your career plans, you should write to Karen Wilson, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP enclosing a recent CV and a note of current salary quoting Ref. WKW/4079/FT.

Hoggett Bowers
EXECUTIVE SEARCH AND SELECTION

INTERNATIONAL FINANCE OPPORTUNITIES
MAJOR FMCG GROUP
Former Soviet Union

THE COMPANY

Formed a little over 7 years ago, this highly successful trading organisation operates within a number of rapidly expanding FMCG markets. The group is enjoying a phenomenal rate of growth in emerging markets of the Former Soviet Union. The company now needs to make a number of strategic appointments to strengthen the financial management team.

PROJECT ACCOUNTANT
MOSCOW £30,000 EX-PAT

This is a key role to help establish and run a bottling operation in Moscow. The responsibilities will be all encompassing to include a significant element of ad hoc projects. Previous experience of FMCG operations would prove advantageous. Significant commercial liaison can be anticipated in this role.

FINANCIAL CONTROLLER
ST PETERSBURG £35,000-£40,000 EX-PAT

This role will assume full financial responsibility for an operation turning over in excess of £15m and expanding rapidly. Key challenges will include the production of accurate information for operational management, implementing budgeting and strategic planning routines and the development of a proactive finance department.

FINANCE MANAGERS X 3
VARIOUS LOCATIONS £25,000 EX-PAT

These opportunities are a direct result of the continued growth in the business activities. Ideal candidates will be newly/recently qualified accountants with strong commercial acumen, and well developed communication skills. This is an excellent entry point for accountants who wish to gain international experience in a truly dynamic environment.

In addition to the salaries indicated above, a comprehensive ex-pat benefits package will also be provided. Interested candidates should contact **Jane Braithwaite** or **Michael Shoebridge on 071-408 1312 or 081-993 0639** (eves/weekends). Alternatively send your CV to the address below, indicating why you feel you are able to make a contribution in the above roles.

MARKS • SATTIN
FINANCIAL RECRUITMENT CONSULTANTS
18 HANOVER STREET, LONDON W1R 9HG. TEL: 071-408 1312. FAX: 071-355 1501

Manager - Management Accounting
DUBAI

The Emirates Group

The Emirates Group comprises Emirates, the award-winning international airline of the United Arab Emirates, voted Executive Travel's 'Airline of the Year 1994', and DNATA, Dubai National Air Travel Agency, a major travel agency and handling agent at Dubai International Airport.

The Job

Reporting to the Finance and Information Technology Director at senior management level, the Manager - Management Accounting is responsible for developing the Group management accounting support for the business; coordinating financial planning and budgeting; identifying and providing for the ongoing requirements of business managers. In addition, the Manager - Management Accounting will be required to coordinate the activities of the business Management Accountants and provide financial analyses to management.

The Person

We are looking for a person with an MBA majoring in finance, who should also be a qualified ACMA or equivalent. With experience in major multinational industries, and at least 10 years' working experience in Finance including extensive line management experience, applicants should be familiar with the latest cost management concepts and have an in-depth knowledge of financial systems. All to be combined with a strong customer service focus and excellent interpersonal and communication skills.

The Package

This position is based in Dubai, the cosmopolitan hub of the Middle East which provides an excellent way of life, a demanding work environment with extensive leisure and recreation facilities.

An attractive tax-free salary will be paid, together with fringe benefits which include fully furnished accommodation, company car, medical / accident / life insurance cover, school fees contribution, free annual leave travel and concessional travel usual to the industry. Applicants should send a fully detailed resumé to arrive not later than 15 days from publication of this advertisement, quoting the reference code 'MMA / FT' to:

Personnel Manager (Commercial & Service Departments),
Emirates,
P. O. Box 686,
Dubai, United Arab Emirates.

Emirates
THE FINEST IN THE SKY.

Growth is the Challenge

REVENUE ACCOUNTING CONTROLLER

An established leader in the UK's telecommunications and cable TV industries, **NYNEX CableComms** has already brought better cable TV and telephone systems to hundreds of thousands of homes and businesses throughout the UK. It's a highly successful high transaction volume business involving complex multi-site cash receipt and revenue reconciliations. Due to massive expansion we are now looking for a qualified accountant to join our Revenue Accounting Office in the Wimbledon Headquarters, shortly moving to Tolworth.

Your role will involve the management of the revenue accounting section which not only tracks all revenue, cost of sales and aged debt but also controls the AR reconciliation process. You will be expected to Deputise for the Head of Department and appoint line managers for key functions.

You will supervise and plan RAO activities for our North and South divisions. *Controlling franchise accounting procedures, you'll review franchise and retail outlet* cash security arrangements.

ACA, ACCA or CIMA qualified, you should have a minimum of 5 years experience gained within a similar high transaction volume business preferably telecom or public utility experience. Relevant practical experience of both financial and management accounting would also prove highly desirable. An achiever, who is able to demonstrate the initiative required to lead us through this growth phase, you will need to prove totally reliable under pressure.

In addition to a salary of c.34K you will enjoy benefits including company car, pension scheme and private healthcare. What's more, you'll find the prospects for professional and career development hard to equal anywhere else.

To apply, please send your CV, day and evening telephone numbers quoting reference Roc 176 to: Alison Townhill, Senior Personnel Co-ordinator, **NYNEX CableComms** Ltd., Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU.

NYNEX CableComms.
Your Voice, Our Vision. The Right Connection.

DIRECTOR OF FINANCE
INFORMATION AND COMPUTING: ROYAL HOSPITALS NHS TRUST
SUBSTANTIAL SALARY PACKAGE

St Bartholomew's, the Royal London and the London Chest hospitals have a combined budget of £210 million, and employ over 6,800 staff. We were awarded Trust status on the 1st April 1994 and are now part of the Royal Hospitals NHS Trust and seek applications for the Director of Finance, Information and Computing with the Royal Hospitals NHS Trust.

THE POST

The postholder will be responsible to the Chief Executive for all aspects of the Trust's financial activities and will act as Financial Advisor to the board. In addition, the postholder will be required to contribute to the development of the Trust's strategic plans and in the formulation implementation and review of the Trust Financial, Information and Computing Strategies.

THE PERSON

To succeed in this post you will need to be a progressive qualified accountant with senior financial management experience in the NHS or a comparable large organisation preferably at board level. In addition, you should demonstrate excellent leadership, interpersonal and communication skills and an ability to work under pressure and as part of a team.

If you think you match the specification above and would like an informal discussion and job information pack please contact:
Gerry Green, Chief Executive, The Royal Hospitals NHS Trust, 5th Floor, Alexander House, Whitechapel, London E1 1BB. Tel: (071) 377 7422.

Application is by CV and the closing date for receipt of applications is the 19th May 1994.

Working Towards Equal Opportunities

FINANCE DIRECTOR
designate

PROPERTY ***Circa £35,000 + benefits***

THE COMPANY

We are a well established design company based in London's West End. The company seeks a new Finance Director to complete its management team. Consolidation of recent gains and expansion of market share are strategic objectives.

THE JOB

Reporting directly to the Group Board the candidate, initially FD designate to the main operating company, will have overall responsibility for group finances, administration and company secretarial duties. Key tasks are profit forecasting, treasury management and improvements to the budgetary control system.

THE PERSON

You should be a qualified accountant, preferably educated to degree level, with a minimum of 3 years PQE. Strong hands-on management, interpersonal skills and a need for achievement are minimum personal pre-requisites.

Please send, in confidence, a comprehensive career resume and salary history to:

Managing Director, 27 Queen Anne Street, London W1M 9FB

Assistant Controller

PARIS 350 KF±

■ *THE COMPANY: A medium-sized international French group (T/O 650 MF), world leader within a specialised niche in industrial supplies with 20 subsidiaries worldwide.*

■ *THE POSITION: Reporting to the group controller, you will be responsible for implementing a new monthly consolidation and reporting package, for analysing the results of several operating units and for assisting the group in its internal and external development worldwide.*

■ *THE CANDIDATE: A qualified accountant (ACA, CIMA...) with an initial experience in a public accounting firm, ideally followed by financial experience within a multinational, you speak French and are looking to develop a career in continental Europe.*

■ *Interested candidates should contact Ivor ALEX in Paris on (33.1) 42.89.09.17 or send their curriculum vitae quoting reference 1678/IAFT by fax on (33.1) 42.89.09.85 or to NORMAN PARSONS, 6 rue Paul Baudy, 75008 PARIS.*

Norman Parsons
GROUPE ROBERT HALF
WORLD LEADER IN FINANCIAL RECRUITMENT WITH OVER 150 OFFICES ON 3 CONTINENTS

APPOINTMENTS WANTED

YOUNG DYNAMIC ACA

Seeks position with expanding small/medium sized company/group.
Excellent communicator, big 6 background, commercially aware.

Please apply to Box A2015, Financial Times, One Southwark Bridge, London SE1 9HL

The Top Opportunities Section
For Senior Management Appointments
For advertising information call:
Philip Wrigley on 071 873 3351

x

FINANCE DIRECTOR
Based in Barking, Essex

Hapag-Lloyd (UK) Ltd., a wholly owned subsidiery of Hapag Lloyd A.G., is offering the position of Finance Director with overall financial control (turnover in excess of £100m).

The UK activities comprise international transportation end inland purchase of road haulage, together with forwarding and related activities.

The position requires e person of proven management skills and a recognised Accountancy qualification. A reasonable fluency in Germen is essential.

The ideal candidate would be 35/45 years of age. Remuneration will be circa £40k plus bonus and usual fringe benefits for this senior position.

If you wish to be considered please apply with a full CV and current salary, to: Personnel Manager, Hapag-Lloyd (UK) Ltd, Hapeg Lloyd House, Cambridge Road, Barking, Essex IG11 8HH.

The Company operates a no-smoking policy.

Hapag-Lloyd (UK) Ltd.
The Symbol of Reliability

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, *Les Echos*, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to *further target the French business world. For information on rates and further details please telephone:*

Philip Wrigley on 071 873 3351

FINANCE DIRECTOR, CENTRAL EUROPE

Attractive Salary — **Germany**

Dell Computer Corporation is currently the world's fifth largest manufacturer of high performance personal computers. The Dell brand is one of the pre-eminent names in the industry. Founded in 1984 in Austin Texas, Dell launched its first international operation in the UK in 1987. The company has since opened wholly owned subsidiaries in 15 other countries, and its international businesses now represent about 40% of the company's $2.9 billion revenues.

The Role

The internal promotion of the present FD has resulted in this very recent opportunity:

- Reporting to the Managing Director, Central Europe and the European VP, Finance you will have total responsibility for all financial analysis, accounting and credit related activities for Germany, Switzerland, Austria and Eastern Europe.
- As a key member of the Central European Management team, you will be involved in the development of future business plans, and be expected to provide strong and influential contribution to decision making predominantly in the areas of sales and marketing.
- Implement key financial policies, systems and controls to corporate standards. Support business units and channels to optimize financial performance.

The Person

- A minimum of 8 - 10 years post qualification experience, the most recent within an international, fast moving, commercial environment. Hands on experience of managing a multi-site, multi-country team. Impressive track record of survival and career progression in a dynamic, energetic, multi-cultural company.
- Ideally aged between 35 - 40 years old, you should be a qualified accountant of graduate calibre, preferably with an MBA. Solid grounding of US (GAAP) and local statutory requirements are prerequisite, perhaps gained in a US or "Big 6" firm.
- Excellent presentation, coupled with strong interpersonal skills and a highly self-motivated manner. Fluency in English and, ideally, German. French language skills would also be of interest.

Please respond, in complete confidence, with full career details, including remuneration, to:
Patricia Lyne, European Recruitment Manager,
Dell Computer Corporation Ltd, PO Box No 3517, Bracknell, Berkshire RG12 1GY
Telephone: 0344-723481 Fax: 0344-360058

DELL

Assistant Group Financial Controller

East of England

c£35,000 pa
Plus Bonus and Car

This is an exceptional career opportunity for a qualified accountant with at least 5 years post qualification experience.

You will need a strong and broad financial background with an ability to see the wider perspective as well as an appreciation of technical and detailed issues.

More importantly however this is your opportunity to demonstrate that you can be credible at the highest level. You must also have excellent interpersonal skills enabling you to be firm but diplomatic with senior financial and line management around the world. A sensitivity to international cultural differences is likewise essential.

Our client, a major international group and well known name in the service sector, has a strong policy of divisional autonomy and empowerment. This in turn generates the need for this position which will act as a key liaison point between group and regional controllers to ensure that financial integrity is consistently maintained to the highest level during a period of major growth and change. The role offers great scope for initiative and new ideas, and therefore demands that the successful candidate be a self-starter with strong influencing skills and commercial maturity.

Additionally you will lead a small team and have certain line accounting responsibilities at Group level.

Our client has a philosophy that the customer comes first and all company policies are formulated with customer service in mind. Having the best staff is a crucial factor in delivering a demonstrably better service to customers than competitors. Training and development of staff is therefore a main objective and the individual who succeeds in this role can expect further personal development opportunities. The role will include a limited amount of international travel.

A full relocation package is available if required.

If you feel that you would like to discuss this outstanding opportunity further please write to Karen Wilson, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP enclosing a recent CV and a note of current salary quoting Ref: WKW/4081/FT.

Hoggett Bowers
EXECUTIVE SEARCH AND SELECTION

ACCOUNTANTS

GRADE 7 LEVEL. Salary: £25,900+.
Posts are based in Birmingham and Bristol

SENIOR EXECUTIVE OFFICER LEVEL. Salary: London £23,551 - £29,161
Elsewhere £21,711 - £26,881

Posts are based in Birmingham, Bristol and London

The aim of the Employment Department is to support economic growth by promoting a competitive, efficient and flexible labour market. We work in partnership with the network of 75 Training and Enterprise Councils in England, which deliver programmes and services contributing to this aim.

We are seeking to appoint Accountants who will become members of local management teams responsible for negotiating, monitoring and controlling contracts with TECs.

Ideally, you must be a professionally-qualified member of one of the CCAB bodies, but people with IIA or AAT qualifications who have the experience and can demonstrate the competencies required of senior accountants will be considered. You should have experience in audit and accountancy, working with senior management to overcome problems identified in audit, and in managing the finances of your own organisation.

Grade 7 salaries are in the range of £25,900 to £34,469 with increments depending on performance.

Starting salary will depend on qualifications and experience.

For further details and application form (to be returned by 26 May 1994) please contact Mrs D Parish, Employment Department, Personnel Branch, Room N209, Moorfoot, Sheffield S1 4PQ.

Tel: 0742 593269 (24 hour).

EMPLOYMENT
DEPARTMENT

H·I·L·L·M·A·N
S·A·U·N·D·E·R·S

FINANCE DIRECTOR

30-40 — Salary: to £50,000

Our client, a major Lloyd's plc broking group is launching a direct marketing/service company based in Northampton. This new, automous business will have substantial financial backing to support its ambitious growth plans in motor and personal lines insurance. This is a superb opportunity to join the senior management team at Director level at the start of this exciting venture.

Reporting to the Managing Director, you will have full accounting responsibilities, including cash and taxation management. The successful candidate will be a qualified chartered or certified accountant with experience in a high volume transaction service business, ideally gained within insurance/financial services. Experience of setting up nominal ledger and other accounting systems is also desirable.

A team player, with strong interpersonal skills, the appointee must have the ability to liaise effectively with external advisors as well as colleagues. A "hands on" approach is essential for the new start-up culture.

The position also offers an annual bonus, profit share, executive car plus excellent benefits. To apply please write with a full CV to Peter Hillman quoting reference V5460. All enquiries will be treated in the strictest confidence.

78/79 Leadenhall Street, London EC3A 3DH
Telephone: 071 929 0707 Facsimile: 071 929 1666

CROMWELL HOSPITAL, LONDON
FINANCE MANAGER
£45,000 + Benefits

The Cromwell Hospital is a leading hospital in the independent sector and excels in technology and patient care. The successful candidate will report to the Chief Executive Officer and implement the objectives and financial targets of the hospital. There will be involvement in corporate and financial strategy with development and implementation of financial policies to achieve the business plan.

The successful candidate will be a chartered accountant who has worked in a senior management position for at least 5 years. Skills in communication and teamwork would be essential. Candidates who will apply are unlikely to be under 30 years of age. Clarity and objectivity in planning with the ability to instill credibility and conference are important. Candidates who have knowledge and experience of working in hospitals would be preferred.

Please send your Curriculum Vitae and a current photograph to:

Personal Assistant
to the Chief Executive Officer
Cromwell Hospital
Cromwell Road
London SW5 OTU

Applications for this position will close by 10 May 1994.

Financial Controller

SOUTHERN HOME COUNTIES - FINANCIAL SERVICES - £45,000-£50,000 package+car

Our client is a significant subsidiary of a major Financial Services PLC with total assets in excess of £15 billion. With a commitment to an impressive growth plan over the next five years, it is now seeking to appoint a Financial Controller. This individual will contribute significantly to the strategic planning and day to day commercial decision making process affecting the business.

The position reports to the local head of the business and will be pivotal in the formulation of the business in a rapidly developing market. Responsibilities cover all aspects of Finance. Key tasks will be to bring a clear financial focus to the management of the organisation and to develop an efficient Finance team.

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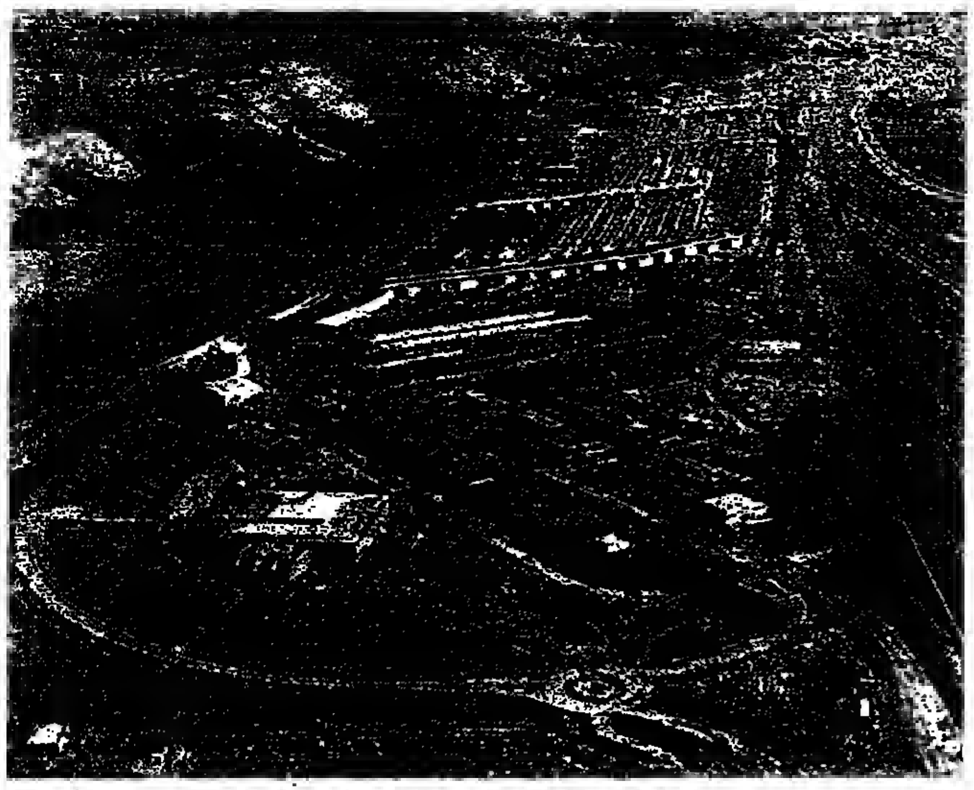
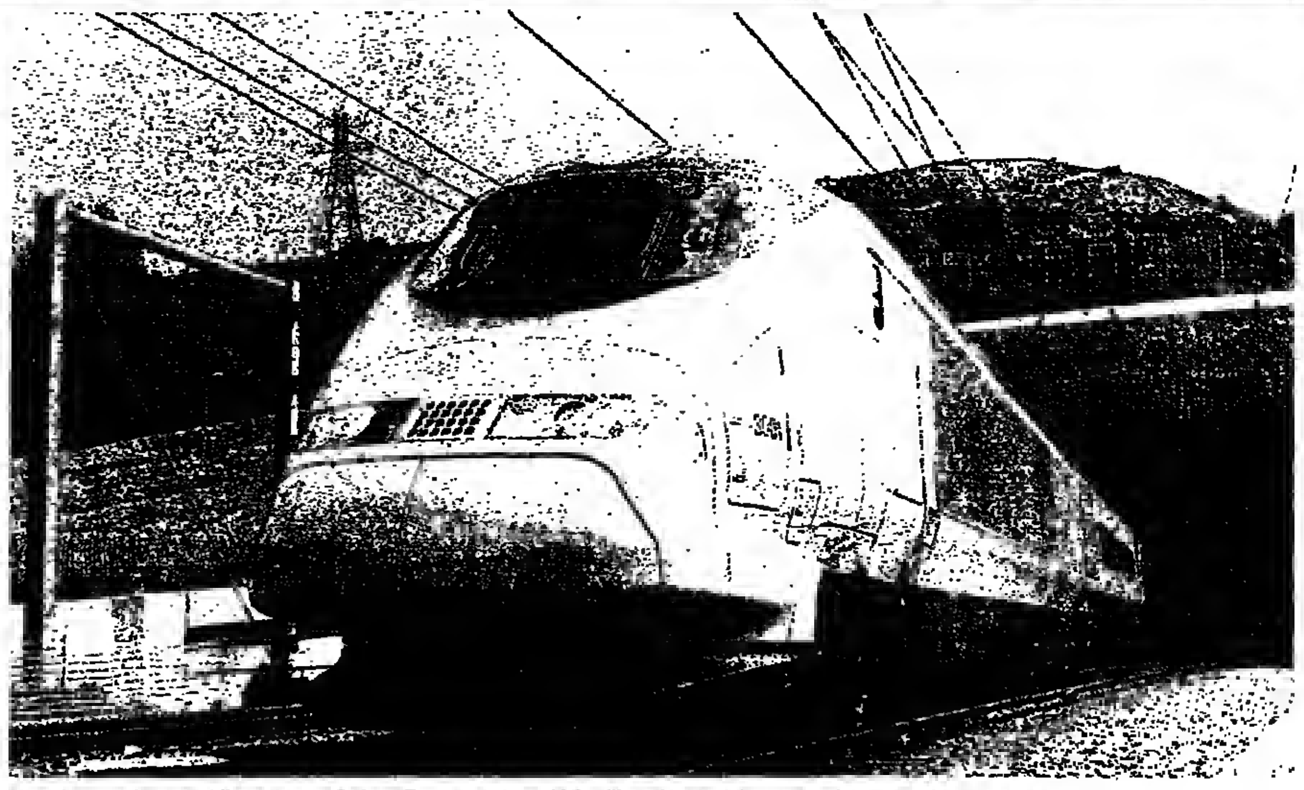
FINANCIAL TIMES SURVEY

THE CHANNEL TUNNEL

Friday May 6 1994



An aerial view of the Folkestone terminal looking towards the entrance to the tunnel



Peaceful invader: one of the quarter-mile long Eurostar trains which will run between London and the European mainland

TUNNEL'S TIMETABLE

- **Sept 11 1981:** UK, France announce studies of a fixed link across Channel.
- **Jan 20 1986:** Twin-bore rail tunnels chosen.
- **July 29 1987:** The fixed link treaty ratified.
- **Nov 4 1987:** £5bn credit agreement signed.
- **Dec 1 1987:** Excavating starts.
- **July 26 1989:** Shuttle rolling stock ordered.
- **April 21 1990:** Half combined length excavated.
- **Oct 25 1990:** Eurotunnel gains additional £1.8bn credit.
- **Oct 30 1990:** UK-French contact in service tunnel.
- **Dec 1 1990:** First people cross to England by foot.
- **June 28 1991:** Main tunnelling completed.
- **Jan 29 1993:** New UK envoy to France crosses through tunnel.
- **Oct 11 1993:** Eurotunnel says £1bn more needed.
- **Dec 10, 1993:** Contractors hand over tunnel.
- **April 21, 1994:** Delay in first rail services announced.
- **May 6 1994:** The official opening ceremony.

Step that meets the spirit of the age

The opening of the Channel Tunnel strengthens the argument that the destiny of Great Britain lies in and with Europe, writes **David Marsh**

One more barrier in Europe has fallen, of supreme importance, though neither the largest nor the last.

In 1987, when Britain and France ratified tbe Channel Tunnel accord, few would have predicted that it would come to fruition seven years later with east and west Europe reunited by the end of the cold war.

The tunnel to be opened today by Queen Elizabeth II and President François Mitterrand forges a further link in the chain of contact and cooperation across a continent that again is whole and free.

"It was the best of times, it was the worst of times." After months in which elation over the tunnel's prospective opening has been tempered by frustration at delays and financial overruns, Charles Dickens' classic line aptly describes the mood at Eurotunnel, the operator of the 32 mile (50km) link.

Dickens' introduction to *A Tale of Two Cities* – now separated by a mere three bours' rail journey between London's Waterloo and the Gare du Nord in Paris – also sums up the state of Europe. The walls and the watchtowers of east-west division have disappeared. Yet the continent is beset by strains engendered by recession, deep-seated changes in economic structure, tbe break-up of the Soviet empire and German reunification.

The continent must now manage an arduous transition. The momentous task of tunnelling beneath the Straits of Dover symbolises the chailenges Europe faces and the trials it has yet to overcome.

The stretch of water between Britain and France has a central place in the history and folklore of the two nations, both in peace and at war. During the past 200 years, the idea of joining Britain and France has sporadically occupied the minds of engineers and admirals, financiers and functionaries, schoolboys, prime ministers and madmen.

The problems of constructing the world's longest undersea tunnel cannot be gainsaid. Accomplishing this ambitious infrastructure project without recourse to government funds has been more exacting than the optimists forecast.

The tunnel's overall cost has grown to £10bn. This is more than double Eurotunnel's estimate wben construction started six years ago, a time wben buoyant economic conditions spurred wishful thinking.

As a result of tortuous teething troubles, a full freight and passenger service will not start until October, causing a large financial loss in the first year of operation and exacerbating pressure on banks and shareholders. Yet when the overall assessment of the enterprise is drawn up, these burdens should not be allowed to weigh too heavily in the balance. If the skill, ingenuity and perserverance deployed in building the tunnel can be turned towards fashioning the new Europe, then the continent's salvation is assured.

The historic rapprochement between the UK and the rest of Europe advances one more pace. Britain remains tied by formidabla bonds of blood, heritage and shared experience to America and the Commonwealth. Yet the tunnel makes more evident and more acceptable the reality that Britain's destiny lies with and tn Europe.

The French President and the British Queen will today turn a new page in relations between two countries joined and separated by a rich vein of turbulent history. In 20 years, the chroniclers of the century's final decade may speak of a new beading. In 50 years, with luck, they may be able to point to a new chapter.

In psychological and geographical terms, today's event is unquestionably of greater magnitude for the UK than for the French. Britain's land connection to the rest of the European Union has bitherto been limited to the troubled border between the Irish Republic and Northern Ireland.

France is already joined pbysically to Spain, Belgium, Germany, Switzerland, Luxembourg and Italy. From now on, all these countries will appear, to British hearts, a small but perceptible degree closer than before.

Construction has marked an effort of colossal technical, financial and political complexity. Environmentalists' objections bave had to be acted upon, politicians' egos massaged, bankers' nerves calmed, terrorists' ambitions (witb luck) thwarted.

The tunnel sets a milestone for many reasons. Achieving sucb a project without public sector funding has necessitated imaginative and controversial financing techniques.

The venture has literally unearthed new ground in construction and civil engineering technology. It has spurred salutary competition on a much-travelled route on which sea operators up to now have enjoyed natural dominance, and has opened new perspectives for rail transport and freight haulage across Europe.

The tunnel has intensified Anglo-French cooperation in areas ranging from handling equity flotations and harmonising railway signal equipment to commissioning boring machines and providing fences against rabies-carrying foxes.

More than anything, it is a project both in line with and in advance of tbe spirit of the times. The two governments were able to reacb agreement on a project embodying many of the concepts of economic policy that have come to dominate the agenda of the 1990s: competition, the primacy of private sector finance, the drive to complete the barrier-free single market.

For all the commonly-beld belief in the constancy of national cbaracteristics, the tunnel illustrates what has changed in Europe. The British were once renowned as a race of railway-builders, the French – at least in the popular imagination of the Englisb – as a people incorrigibly wedded to time-honoured preservation of their forefathers' *paysage*.

In the latter part of the 20th century, tbese roles seem to bave been reversed. Ludicrously yet endearingly, Britain has failed to construct a high-speed train link to join the tunnel to London. By contrast, the French engineers of the *Polytechnique* and the *Ecole des Mines* have unswervingly pressed new lines into service to ensure Eurostar trains race across tbe Nord-Pas-de-Calais plain before ambling through the hop groves of Kent.

The tunnel, by itself, will make neither France less French, nor Britain less Britisb. It represents a step towards European convergence, but also illustrates the continent's abiding diversity.

The 160 mph train is coming down the track, says **Charles Batchelor**

All aboard the 'bullet'

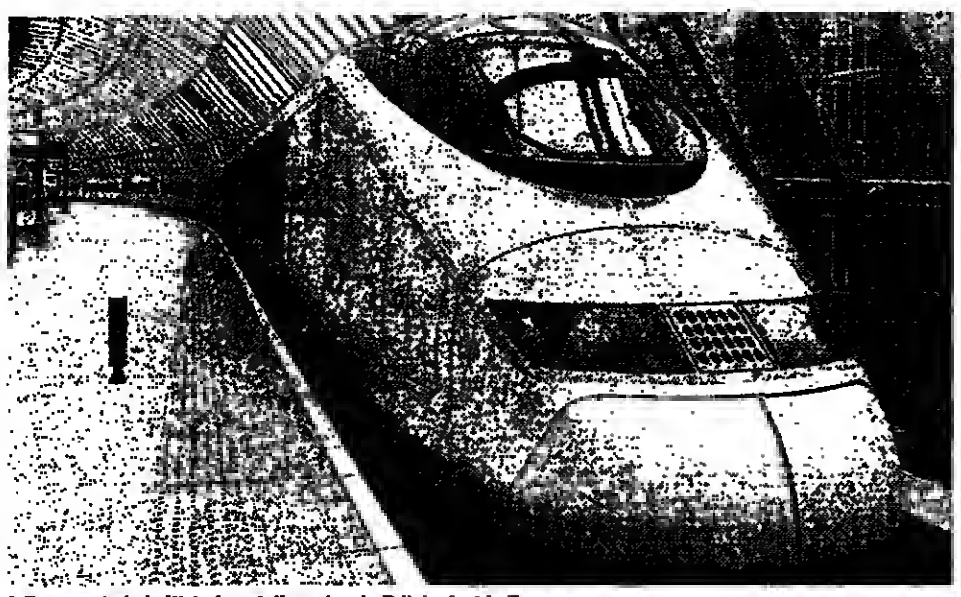
There are few more potent symbols of advaueed technology in the 1990s than the high speed train. The fast rail networks being developed throughout Europe promise a remarkabla reversal of the steady decline of train travel which has been under way since the end of the Second World War.

High speed rail services have their origins in the Japanese bullet train or Sbinkansen which first went into service between Tokyo and Osaka in 1964. But it has been in Europe, with its scattered centres of populatiou and its crowded transport routes, that the idea has taken off.

A growing awareness of the the potential of rail travel prompted the European Commission in 1990 to launcb a programme to hring together national initiatives. Detailed studies are being carried out by a high speed task force while the scope of the programme has recently been extended to include the countries of eastern Europe.

Tbe programme, which envisages the creation of a European network of high speed lines by 2010, involves the construction of 5,600 miles of new track, the upgrading of a further 9,400 miles of track and the creation of 750 miles of linking tracks.

The new lines are to take trains running at 160 miles per hour and more, while the upgraded lines will bandle speeds of about 125 mph. The aim is to make rail an attractive option for business and leisure travel on journeys of between 125 miles and 625 miles. Even longer journeys would be realistic overnight.



A Eurostar train in Waterloo station: slow in Britain, fast in Europe

Journey times across Europe would roughly be halved with Brussels to Madrid falling to just over eight hours from nearly 16¼ hours; Brussels to Milan to five bours 15 minutes from 10 bours 20 minutes and Brussels to Berlin to six hours 15 minutes from uine hours.

The benefits of high speed train travel over airplanes and cars are that it delivers passengers into city centres, it can handle large volumes of traffic, is less polluting than other means of transport and makes more efficient use of energy.

In addition, high speed trains boost passenger numbers on connecting slower inter-city and suburban lines, increasing the financial return to the entire network. They also make an important contribution to regional and economic policies, improving links with peripheral regions.

Choked European airports, crowded skies and congested motorways have combined to make fast rail travel a viable alternative for many travellers.

The costs of creating a pan-European high speed rail network have been estimated at more than £60bn though it is thought that it could lead to a quadrupling of passenger mileage travelled. Passenger growth coupled with improved productivity could lead to the rail companies achieving a 10 per cent rate of return on the project, it has been calculated.

It is France where high speed trains have made the biggest impact and where the most comprehensive network has been established although Germany, too, is creating an ambitious network of hlgb speed services.

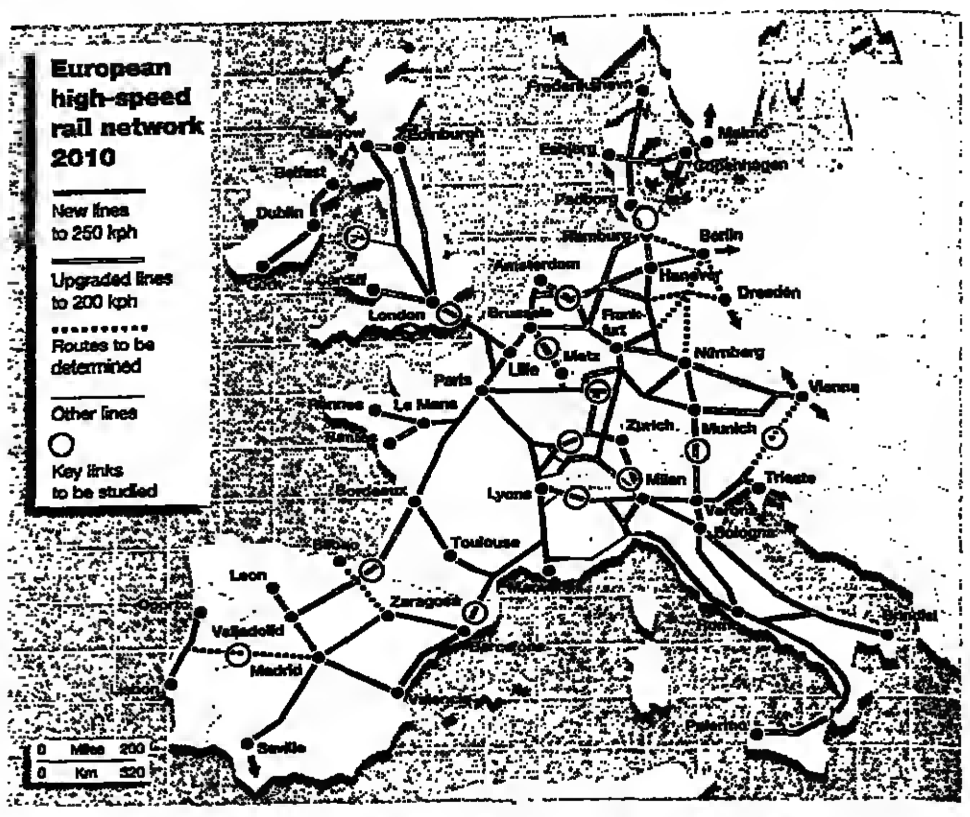
The French railways began operating its first high-speed trains – *trains à grande vitesse* (TGV) – at up to 170 mph between Paris and Lyon in September 1981, halving the journey time to just two hours and doubling the volume of passengers using this route. The TGV Atlantique followed in 1989 linking Paris with Bordeaux, Biarritz, Toulouse and Brittany at speeds of up to 185 mph.

The imminent opening of the Channel Tunnel led to the construction of high speed lines north from Paris to Lille and Calais whila work is also under way on a section to the east of Paris linking the northern and southern routes.

Germany began developing a high speed network of Inter-City Express (ICE) trains in 1988 and now has three routes in service including a link with Berlin. The ICE trains are built by a consortium headed by Siemens while French high speed technology has been developed by the Anglo-French company GEC-Alsthom.

Both Spain and Italy are working on ambitious plans to establish high speed networks but both currently run just single lines. The Spanish AVE high speed train, built by GEC-Alsthom, came into service in 1992 on 270 miles of specially built track between Madrid and Seville.

In Italy the Direttissima service runs between Rome and Florence although plans for a larger network have been stalled for several years. However, a consortium of international banks and the Italian railways is now putting together proposals for a vastly expanded uetwork linking Turin, Venice, Milan and Naples.



At present no high speed service crosses a national border though this will change once Eurostar trains, which are a modified form of TGV, start running between Loudon, Paris and Brussels. But it will not be before about 2002, that high-speed services will be available on the British side of the tunnel because of delays in beginning work on a high-speed line through Kent to London.

The main barrier to cross-border links is the varying technologies used by the different national railways. The Eurostar trains hava been designed to take account of three different electricity networks and four signalling systems (including the one in the Channel Tunnel).

Track gauges, the distance between the rails, are not a prohlem in most of Europe tbough Spain, Portugal, Ireland and Russia differ from the standard gauge.

A problem for Britain is its smaller loading gauge whicb means contiueutal European locomotives and rolling stock are too broad and high to fit betweeu British statiou platforms or under many bridges.

Technical harmonisation is one of the biggest tasks of the task force working on the high speed pan-European network. A priority is to create a unified "command and control" system, combining the latest developments in electronics, computiug, telecommunications and avionics, to replace the iucompatible national systems.

A potentially worrying development for the European task force is the developmeut by Germany of magnetic levitation technology whereby trains run ou a magnetic cushion above a monorail. The German government gave its approval two months ago for the world's first commercial "maglev" train to run between Berlin and Hamburg at speeds of up to 250 mph.

Maglev technology has yet to prove itself in large-scale commercial use but it does raise the prospect of a competing system which cannot be fitted into the continental network.

Elsewhere in the world conventional "wheels on rail" technology is being used for the development of high speed links. The South Korean government last month gave the go-ahead for the construction of a bigh speed line between Seoul and the port of Pusan by a consortium headed by GEC-Alsthom. Taiwan has plans for a bigb speed line between Taipei and the soutbern city of Kao-Hsiung.

In North America, meanwhile, European manufacturers are attempting to win contracts for high-speed lines in Texas and between the cities of eastern Canada. To date high speed rail links have made their biggest impact in Europe but tbey clearly have the potential to revolutionise medium-distance travel around the world.

■ WHAT THE USER GETS

High speed and comfort

For the regular air traveller between London and Paris, the Channel Tunnel rail service is the answer to a jet-lagged dream. Farewell to the interminable London Underground journey to Heathrow airport. Goodbye to the air passenger in front whose seat is pushed back against your nose. No more confused wanderings around the circular terminal one at Paris Charles de Gaulle. Adieu to FFr250 taxi rides into central Paris.

While many travel agents expect the Eurostar railway service from London's Waterloo station to Paris and Brussels to take business away from the airlines, they say it will not appeal to everyone. And they are less optimistic about the chances of the Le Shuttle car service taking businass from cross-Channel ferries.

> 'Everyone I've spoken to has said they like the idea of going by train'

The Eurostar sarvice is expected to win business from the airlines, particnlarly among business travellers. European Passenger Services, which will run the trains, has indicated it will charge fares which undercut airline prices.

Mr Simon Beeching, managing director of Wexas International, a club organising business and leisure travel for its members, believes Enrostar could win business even if it charged slightly more than tha airlines. "Everyone I've spoken to has said they like the idea of going by train. It takes you from the heart of London to the bearts of Paris and Brussels," he says.

Mr Mike Platt, director of commercial affairs at Hogg Robinson Business Travel International, says many of his customers have mentioned the attractions of being able to sit around a table on trains between London and the Continent, running through preseutatious or preparing for meetings – something which is difficult to do on an aircraft.

For anyone living reasonably close to tbe centre of Paris or Londou, travelling by Eurostar could take about the same amount of time as flying. Door-to-door, a journey from a Londou suburb to central Paris is about four bours. The Eurostar train jonruay between tbe two cities is expected to take three hours; door-to-door travel will also be about four hours.

Mr Platt points out, however, that the Channel Tunnel rail service will not be convenient for everyone. Many business travellers from London live in the Home Counties and they might not be travelling to the centre of Paris. Mr Platt says: "If you're travelling from your office iu Londou SW1 and going to downtown Paris, the train is ideal. But it'a uot if yon're going from your home outside London to a factory outside Paris."

The train service will also be up against oue of the airlines' principal attractions: frequent flyer points. Accumulating frequent flyer points has become an obsessiou with many busiuess air travellers, who use them to take their bolldays.

Busluess travel ageuts say that European Passenger Services should have no difficnlty developing attractive customer loyalty programmes. Paris and London are popular tourist destinations for the British and the French respectively. The opportnnity to collect points towards a family visit to either capital wonld be a strong incentive for many Eurostar customers.

If the attractions of the Eurostar services will be obvious to many, those of Le Shuttle will be less so. Cross-channel ferries have succeeded in recent years in making the journeys they offer more pleasant, with brigbt decor, children'a play areas, cinemas and better restaurants and shops.

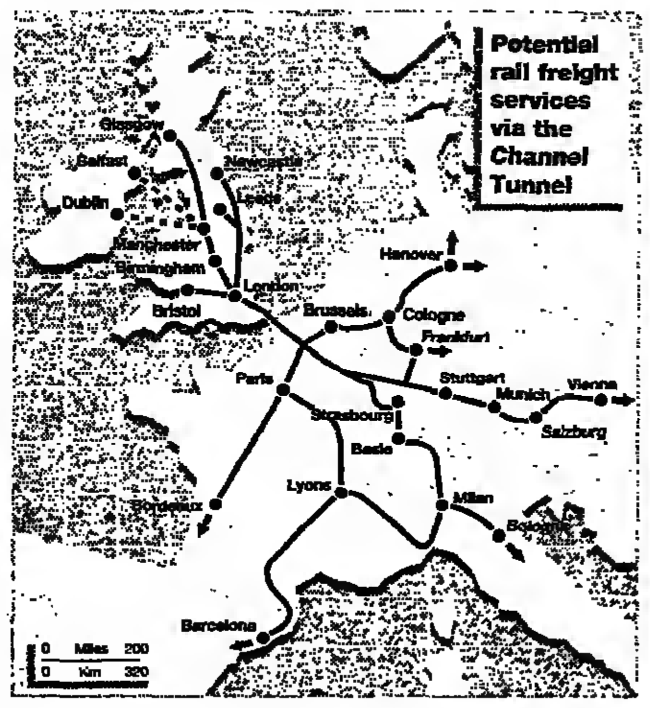
Car shuttle services are expected to be relatively spartan, with travellers remaining with their cars dnring the journey and the price of travelling by shuttle will be higher than crossing by ferry.

But Mr Peter Shanks, retail commercial director at travel ageuts Thomas Cook, points out the time advantage to travelling by shuttle. From motorway to auto-route, travelling time by sbuttle will be 60 minutes. By ferry, it is 90 to 90 minutes.

Mr Shanks expects that by next year Le Shuttle will have 40 per cent of the non-air, non-rail traffic, compared with 60 per cent for the ferries, and by 1996, 50 per cent.

Michael Skapinker

THE CHANNEL TUNNEL 3




The undersea crossover between the north and south rail tunnels Picture: Q.A. Photos

British Rail expects a boom in freight traffic, writes **Charles Batchelor**

Volume could treble by 1996

The opening of the tunnel creates enormous opportunities for rail freight transport in the UK.

With few freight journeys economical at distances of less than 300 miles, the land-locked British rail network has in the past been unahle to compete with road.

The completion of ao undersea rail link with France changes all that. The 10,000 miles of British railway track will be joined to the mainland European network of 150,000 miles.

Transit times of just 26 hours hetween Manchester and Stuttgart and of only 30 hours between London and Milan should now be achievable.

"The opening of the Channel tunnel will give us a very large railway to sell," said Mr Ian Brown, managing director of Railfreight Distributioo (RfD), the British Railways' freight arm responsible for container and other shipments to the Continent.

Freight is expected to take up an important chunk of the 50 per cent of tunnel capacity which has been booked by the national railway companies. It is also forecast to account for a large part of Eurotunnel'a revenues from running shuttle trains between Folkestone and Calais.

RfD hopes that the opening of the tunnel will increase current train freight volumes from 2m tonnes a year to 6.5m tonnes within two years and 9m tonnes by about 2000. At present railhorne freight, which goes by train ferry from Dover to Dunkirk or by lift-on, lift-off container ship between Harwich and Zeehrugge, accounts for just 7 per cent of cross-Channel shipments hy container, closed rail wagon or lorry.

Freight will take a big chunk of the capacity booked by the railways

RfD hopes to develop lts container husiness and conventional hulkier shipments of cargoes such as steel, paper and wood products and white goods.

It has contracted to carry Ford vehicle components to Spain and completed Rover cars in specially huilt double-decker wagons to Italy.

Success will depend, to a large degree, on RfD persuading potential customers that it can provide a high standard of service. Many shippers have given up on BR in the past hecause of the unrellahility of its freight deliveries.

An important advantage of road transport is that the driver stays with his truck to ensure that the cargo reaches its destination on time and in good condition.

To overcome this suspicion RfD has promoted the creation of three joint venture companias in which road hauliera and shippers also have a shareholding. Combined Transport (CTL), Allied Continental Intermodal (ACI) and Unilog will sell freight capacity to hauliers and freight forwarders.

Increasing rail freight traffic will also involve a change in attitudes in the UK towards what is known as intermodal or comhined traffic, the shipment of goods hy more than one means of transport, in this case road and rail. Because of the long distances involved in mainland Europe, intermodal traffic is much more widely estahlished on the Continent.

Apart from containers, it can take three main forms: piggyhack shipments which involve standard truck trailers heing carried on specially designed low platform rail wagons; swap bodies which are effectlvely truck trailers without the wheels; and roll-on/roll off transport where the complete road vehicle, including the tractor unit and cab, are loaded on to the train.

Intermodal shipments within Europe rose to 20.1bn tonne/kilometres in 1993 from 19.1bn the year before and 15.4bn in 1988, according to the International Unioo of Rail-Road Transport (UIRR), which groups 17 companies throughout Europe.

The European Commission is keen to promote the increased use of intermodal shipments to relieve pressura on husy transport corridors, to reduce exhaust emissiooa hy trucks and to increase road safety. It has enahled comhined transport operators to claim financial support from their national governments for investment in equipment.

Some continental European governments have granted concessions on road tax for vehicles involved in combined transport activities.

Germany, for example, has given 100 per cent refunds for vehicles which carry out a specified number of journeys in a year.

The UK meanwhile is raising the weight restriction on trucks serving regional rail terminals from 38 to 44 tonnes.

But despite the continuing growth of intermodal shlpments, the UIRR ls concerned at what it sees as a hlas towards roads in the European Union's policy of liberalising transport.

With the exception of Switzerland and Austria, which are not EU members but which are keen to get lorries off their roads and on to rail, no country has made satisfactory efforts to promote intermodal transport, it said in its 1993 annual report.

That further investment in intermodal capacity is needed was confirmed by a study by consultants A.T. Kearney. This revealed that a shortage of road/rail terminal capacity and the lack of a standard loading gauge (which determines the width and height of wagons) on Europe'a railways were constraints on growth.

On many journeys combined transport could compete with road on price but on average road/rail journeys were slower than those made solely hy road.

More freight will involve a new UK attitude to inter-modal traffic

Intermodal shipments travelled at an average of 37 kilometres/hour while road shipments went at 69 km/hour, the survey found.

Improvements in the quality of the service, more active marketing and the creation of a standard loading gange could lead to a trehling of intermodal shipments, which were just 4 per cent of total shipments at the time of the survey.

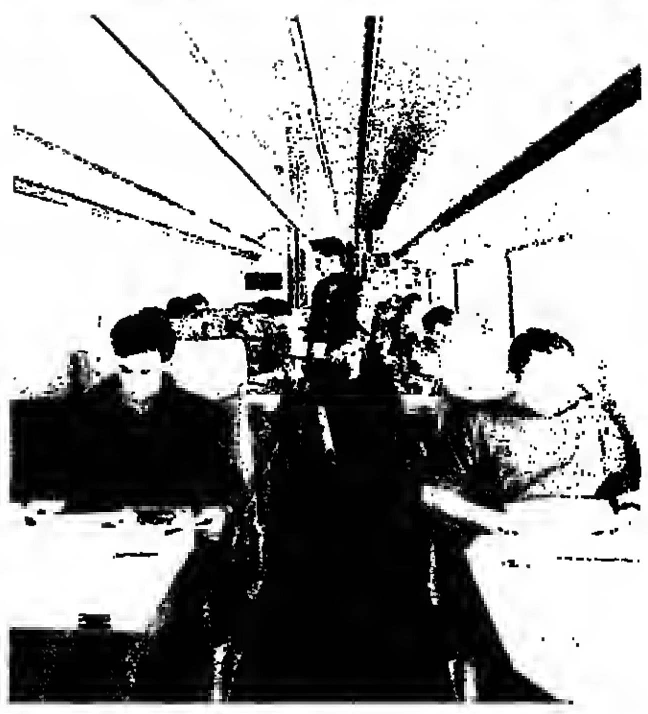
The cost of introducing a standard loading gauge would be enormous, as RfD has found with work involved in upgrading just a small part of the British network. Modifying even a limited oumher of routes from the Channel tunnel to the Midlands, the north west of England and Scotland to what is known as the Berne gauge would cost more than £3hn, it has calculated.

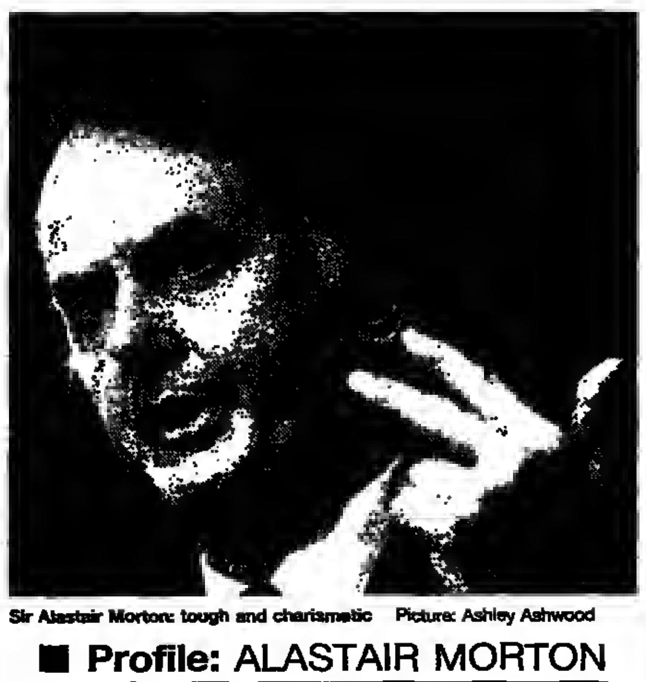
RfD has compromised hy designiog a new fleet of low-platform wagons, which avoid the need for a full-scale conversion to the Berne gauge, and hy renewing hridges on key routes.

Even so, its total investment in preparing for the Channel tunnel has amounted to £450m.

This has created a freight network which links into nine regiooal freight terminals which are owned by the railways as well as a number of privately owned terminals which ara currently heing developed.

If all goes well RfD hopes to have six trains a day travelling through the tunnel this summer rising to 16 trains each way hy the spring of 1995. Britain would then be finally plugged into the European rail freight oetwork.


Lorry drivers in the amenities coach Picture: Q.A. Photos


Sir Alastair Morton: tough and charismatic Picture: Ashley Ashwood

■ Profile: ALASTAIR MORTON

Eurotunnel's strongman

Sir Alastair Morton, co-chairman of Eurotunnel, is pugnacious, blunt to the point of rudeness and can be a hully. At other times he can be charming and humorous. He is undouhtedly charismatic and commands a grudging respect even from his critics.

No one has dominated the constructlon of the Channel Tunnel quite like Morton. Over the past six years he has antagonised contractors; hattled with BR and SNCF; and criticised government ministers, particularly British, for holding back the project.

Joe Dwyer, chief executive of UK construction group Wimpey, when Morton last summer was simultaneously threatening to sue for damages contractors, BR and SNCF and the British government, sighed: "Surely, we cannot all be in the wrong."

Morton's detractors insist that the row with British and French contractors over their claims for extra payments could have heen settled and the project opened earlier hut for his stuhbornness and belligerence.

But his aggressiveness may not have been a disadvantage as far as the banks were concerned. They needed to feel confidenl that they were giving their money to a tough client who would fight to protect their interests.

The banks on several occasions supported Morton against attempts hy contractors to unseat him. It is also doubtful that Morton could have persuaded the hanks much earlier to accept the settlement finally agreed with the contractors.

His pugnacity may have been no disadvantage in handling the banks

Even his fiercest critics among the construction companies admit that the project would never have started but for the energy and determination displayed by Morton in persuading banks and financial institutions to part with their money in the first place and then to stick with it when the goiog got tough and costs started to rise.

His sharp mind and previous experience of working in the City gave them comfort that he would keep a tight rein on the project's finances.

Morton, 56 last January, was horn in Johannesburg. His father was a Scottish oil executive and his mother a member of an old Afrikaner family. He has never shrunk from speaking his mind whether to journallsts, fellow executives or supposedly recalcitrant construction companies.

It appears that he almost delights in ruhhing people up the wrong way. He has been described as a man who cannot pass a calm pond without throwing a large rock into it, just to see what happens.

He will fight fiercely, not shrinking from personal attacks, to defend his judgment. He is a husy sender of letters and faxes to editors and others who have taken opposing views or have offended.

For such an outspoken character, he harbours surprisingly few grudges.

One French contractor involved in the long running battles over costs said: "After the storm there is the calm. Alastair having argued until he is red in the face that you are wrong, will suddenly say 'OK you win' and he will be ahsolutely charming."

Equally, he has not heen afraid to hack his judgment when he feels he is right. He resigned as managing director of the British National Oil Corporation after clashing with BNOC's chairman Sir Philip Shelbourne over privatisation.

The Bank of England subsequently prevailed upon him to take the helm at Guiness Peat, the ailing banking group. He publicly rowed with the bank's founder and major shareholder, Lord Kissin, over asset disposals and resigned after a successful hostile takeover hy Equiticorp of New Zealand.

Chancellor Kenneth Clarke has now appointed Morton head of a working group to encourage greater private sector investment in infrastructure.

He will not shrink from criticising government if he thinks this necessary and contractors may yet he glad to see their former adversary lining up up on their side.

Andrew Taylor

THE CHANNEL TUNNEL 4

The French, with their natural panache, describe it as the project of the century. History will recall that they were correct. The Channel tunnel by any measure ranks as one of the world's great engineering feats.

The euccess in completing the 50km (32 miles) crossing beneath the sea bed, in three tunnels, under one of the world's busiest weterways compares with the construction of the Suez and Panama canals.

Memories of the bitter squabbles over costs and delays punctuating more than six years of construction will dim as future generations take pride in achievements of the British and French builders.

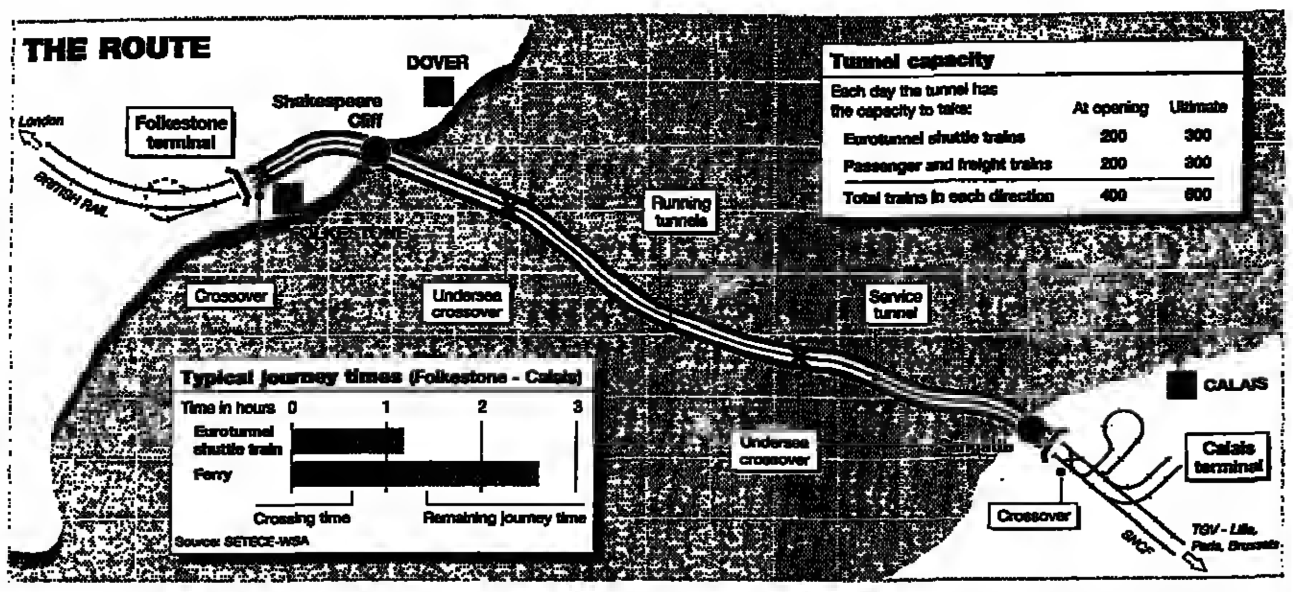
It has been e massive feat: 150km of tunnels have been bored and lined with more than 800,000 concrete segments weighing anything up to nine tonnes each.

Into these have been installed more than 22,000 tonnes of railway track, accompanied by more than 1,000 km of power cables and for signalling and communications.

Jack Lemley, chief executive of Transmanche Link, a consortium of five French and five British construction companies which designed and built the project, says: "In six and a half years we have created Europe's longest tunnel, the longest under-sea tunnel and the world's most advanced transportation system."

Rail traffic and engineering management constantly monitor 30,000 separate locations in the network – one of the largest systems of its kind outside of the space programme. Information is relayed through these fibre optic cables carrying 700m bits of data every second.

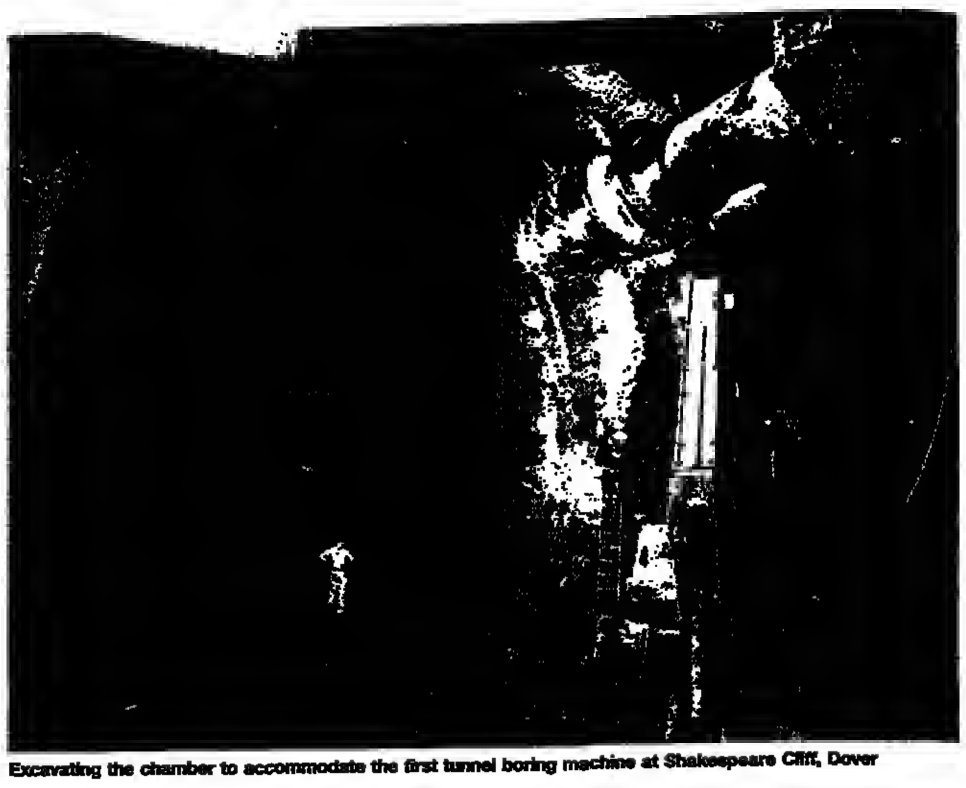
At either end of the tunnels are electricity sub-stations each of which is capable of powering a city the size of Lille. Fifteen thousand supports had to be installed inside the tunnels to carry the catenary powering the trains. This involved the handling of about 1m separate components.



Tunnel capacity Each day the tunnel has the capacity to take:	At opening	Ultimate
Eurotunnel shuttle trains	200	300
Passenger and freight trains	200	300
Total trains in each direction	400	600

It's a roll-call of engineering achievements, writes **Andrew Taylor**

The longest subsea tunnel


Excavating the chamber to accommodate the first tunnel boring machine at Shakespeare Cliff, Dover

Michel Barbier, responsible for the early stages of the installation of mechanical and electrical equipment from France, described the process of transporting such a vast quantity of equipment and personnel through the narrow aperture of the tunnel mouth as like "force-feeding a goose in e very short space of time to produce the best ever *pâté de foie gras*".

The squabbles will be forgotten as posterity marvels at the feat of its French and UK builders

The goose has now been stuffed and Transmanche says the volume of mechanical electrical equipment installed is equivalent to building 10 cement works, 20 sugar refineries or two large nuclear power stations.

The concrete linings of the tunnel have e crushing strength approaching twice that of concrete used in pressure vessels of nuclear power stations. They were manufactured at two purpose built factories, one at the French terminal and the other on the Isle of Grain in the Medway and Thames estuaries.

All of this is a long way from where the consortium started in the summer of 1987 when the British and French parliaments approved legisletion allowing construction to commence.

On the site of the completed terminals near Folkestone, Kent and at Coquelles near Calais in northern France it is difficult to remember that this was once open countryside. The French site now contains a development the size of Heathrow airport. It was previously a marsh which had to be drained before work could start. The terminal now has its own water treatment plant capable of serving a town with a population of 20,000.

The ground of the Folkestone terminal, the size of Heathrow's Terminal Four, had to be raised by up to 12 metres. This involved pumping 2.6m cnbic metres of sand dredged from the Goodwin Sands, thereby avoiding half a million lorry movements.

Construction of such a vast venture had many problems. Ten lives were lost during the building – eight on the British side and two in France – requiring Transmanche to improve its health and safety standards, particularly training for tunnel workers.

Tunneling initially was very slow and cost more than planned. Ground conditions under the British coast were mnch worse than expected. Salt water, percolating through fissures in the rock, affected the delicate controls on the 200 metre-long tunnel-boring machines.

Attempts to insulate equipment caused overheating, periodic engine fires and many breakdowns. At one stage progress under the Kent coast was less than 20 metres a week, compared with more than 300 metres a week later.

Mr John King, director responsible for the British tunnelling, later admitted: "There were several times when I thought we might not make it. One of the worst moments was when, with water still pouring through tiny fissures in the roof of the tunnel, we had to decide whether the modifications we had made to the machines would be sufficient to let us proceed. If they had not worked I do not know what we would have done; fortunately, they worked."


Jack Lemley of Transmanche: a list of superlative statistics

At peak production, 2,000 tonnes of chalk marl an hour were be taken out of the British end of the tunnel alone to be deposited into lagoons at the base of Shakespeare Cliff, between Folkestone and Dover. The spoil contained within a purpose-built sea wall added 73 acres to Britain's land mass.

In total more than 20m tonnes of spoil were removed from the tunnels along a narrow gauge construction railway totalling more than 300km. At the same time as spoil was being removed, concrete linings and equipment were being brought into the tunnels.

The biggest problem facing contractors was that work was taking place before detailed designs for many parts of the project could be completed. It was not until plans started to emerge for the trains and transport system that it became apparent that a cooling eystem, which had not been included in the original proposal, would need to be installed. Friction caused hy the passage of some of the largest trains in the world together with heat generated hy the sophisticated signalling, communications and other installed equipment would have increased the temperature inside the tunnels to 50degC.

To compensate, a cooling system was installed, involving pumping 220 litres of water a second chilled to 3degC through several hundred kilometres of pipes. The capacity of the cooling plants is equivalent to 25,000 domestic refrigerators.

Given the problems, it's a wonder that it did not take longer and cost a lot more to complete

Design changes, imposed by the Inter-Governmental Commission established by the two Governments and responsible for granting Eurotunnel an operating licence, also have added to delays and increased costs. In one instance, the commission demanded that fire doors connecting the shuttle wagons be widened hy just 10cm requiring substantial re-engineering of the wagons.

The enormous air pressure created by large trains travelling through the tunnel at up to 160km per hour meant that every component installed in the tunnel had to be designed within specific aerodynamic coefficients creating additional problems for designers and contractors. Supports for pipework caused serious problems because they were too fragile even though they satisfied aerodynamic standards.

In total, 20,000 light fittings have been installed in the tunnels, each of which has to be taken into consideration in terms of their effect on the temperature and aerodynamic efficiency of the system as a whole. Given the problems that have had to be overcome it is a wonder that the project did not take even longer and cost more to complete.

Bronwen Maddox describes the environmentalist backlash in England

Fierce clashes all the way

"When they come to build the Channel Tunnel they told us they didn't need the line. So we let them build the Channel Tunnel. Surprise, surprise – this is what we find."

Those are the opening lyrics of *Joan of Kent*, a new musical now touring Kent and London which protests against the construction of railway links to the tunnel.

The environmental impact of the tunnel has caused some of the fiercest debates during its planning. Most of that heat has been focused on the size of the terminals, and the route and design of the new rail lines between London and the tunnel mouth in Kent.

While the tunnel debate has been underway for years, in recent months the government has shown itself to be worried about public opposition to the encroachment of development on the countryside. It has announced a scaling-back of road building, partly on environmental grounds.

Conservative backbenchers suggest that the desire for more conservation may play a part in the forthcoming local and European elections, particularly in the Conservative strongholds in the south of England. However, in the case of tbe Channel Tunnel, the consortium argues that it has gone to great lengths to minimise the impact on the environment. In building the Folkestone terminal the construction companies transplanted a 12-acre of woodland called Biggin's Wood, the size of Heathrow's Terminal 4, to a site nearby when it was clear that the trees were at risk.

Environmentalists have also welcomed some features of the railway route that has eventually been chosen. It avoids the marshes near the estuaries of the Thames and Medway, which are rich in wildlife, particularly migratory birds.

They have also supported the decision to lay much of the new track alongside existing road and rail routes, thus minimising the impact on previously unspoiled countryside.

But some campaigners are disappointed that more of the lines are not buried in tunnels, and accuse the government of underfunding the project.

Mr Robert Baxter, chairman of the transport group in the Kent branch of the Council for the Protection of Rural England, says that part of the line will pass through sensitive downland on either side of the Medway river, and ancient woodland near Cobham.

Local pressure groups are also concerned about development, as yet unplanned, which will be precipitated by the tunnel. In particular, the mooted construction of another passenger station in Kent "will mean large amounts of carparks and infrastructure", Mr Baxter says. "Those will bring more commuters into Kent and increase the pressure on its environment."

Environmentalists also point out that the rail lines may have difficulty in carrying large volumes of freight because the gradients on several stretches are steep. Freight trains may need two locomotives to overcome the gradient, they suggest. Freight traffic, they fear, may continue to use the roads, thereby increasing air pollution.

Further concern about the tunnel's impact centres around the problem of disposing of the spoil from the tunnel borings.

The solution has been to deposit the rock and sand at the foot of the White Cliffs of Dover. A platform, reinforced with concrete, has been built from the waste, extending 1km along the cliffs and a third of a kilometre out to sea. The top of the platform has been made into a picnic area.

However local conservationists have been concerned that the platforms, which are about a quarter of the height of the cliffs, spoil the view of Shakespeare Cliff which was named after a scene in *King Lear*.

They also fear that the platform could alter tidal flows and affect the wildlife on the site of special scientific interest at the head of the cliffs.

Despite these concerns, many environmentalists acknowledge that the impact of the tunnel is considerably less than was first feared.

The Great Escape Theatre Company, 071 485 5431. Cassettes available.

Profile: GEORGES-CHRISTIAN CHAZOT

Mission: start making money


Georges-Christian Chazot of Eurotunnel: a baptism of fire

The past four months have been a baptism of fire for Mr Georges-Christian Chazot, Eurotunnel's chief executive. Appointed in January to turn a large construction project into a profitable transport undertaking, he has been faced with a succession of postponements to the start of commercial operations.

As passenger and freight services on both tunnel shuttles and the long-distance through trains come on stream, revenues will start to flow but up to £100m of fares have been lost.

Steering the £10hn project into profitability represents an enormous challenge. Covering interest charges alone will cost about £650m a year and the success of the whole venture depends on Eurotunnel both appealing to existing travellers and persuading new ones to cross the Channel.

At the time of Mr Chazot's appointment Eurotunnel said it did not want him to be overwhelmed by the prohlems of the past hnt inevitahly they have cast a long shadow.

The move to Eurotunnel represented a high-profile move for a manager, who, for all his long experience of both industry and the service sector, was little known outside his native France. Nevertheless, Mr Chazot's career in international companies makes him well suited to handle the challenges facing Eurotunnel, commented one French banker.

Educated at the Ecole Polytechnique in Paris and at the University of Florida, Mr Chazot acquired a degree in electrical engineering and a diploma in marketing.

Since being appointed in January he has faced a series of delays in the start of commercial operations

He then spent 14 years each at Schlumberger, the international engineering group, and CGE (now Alcatel Alsthom), the telecommunications company. Although both are large industrial concerns, Mr Chazot counts as one of his achievements the transformation of Saft, Alcatel's battery subsidiary, from a company with "a culture of high-tech arrogance to a service-minded corporation".

From Alcatel Mr Chazot went to Adia, a Swiss temporary employment agency, running its French subsidiary for 18 months. This, he says, broadened his experience of working in the service sector.

It also exposed him to a market place where price and margins were particularly important. Eurotunnel and the ferry companies say they are keen to avoid a price war but the hnge increase in cross-Channel capacity represented by the tunnel makes fierce tariff competition almost inevitable.

Mr Chazot's recruitment, at the age of 54, to Eurotunnel followed a search by teams of headhunters in London and Paris. Nationality was not a factor, according to Eurotunnel, which says it was looking for the best person for the job regardless of origin.

Mr Chazot denies that he regards himself as particularly French. "My basic husiness education was in the US for the first three years of my business life," he says.

Mr Chazot has not only had to cope with the problems of commissioning the tunnel'e systems and its rolling stock. He has also had to make a mark for himself in a post previously filled by Sir Alastair Morton. Sir Alastair it was who brought a project riven by conflicts between contractors and customer back on course.

He has stayed on as co-chairman, alongside his French counterpart, Mr André Bénard, to resolve ontstanding disputes and to prepare for the raising of another £1bn-£1.5bn of equity and loan finance.

Professionally, Mr Chazot is devoting his time to a project which may pnt eome ferry operators out of business. At the very least the tunnel will capture a large part of the ferry's market share.

There is a certain irony therefore in the fact that Mr Chazot is a keen amateur sailor, though he has never sailed his 35-foot racing yacht, Eloisa, across the Channel. His present job has involved more journeys under the Channel than over it.

Charles Batchelor

Interview: Pierre Mauroy on the wooing of Mrs T

It had to be 'oui'

Mr Pierre Mauroy, the mayor of Lille, is a man whose large unflappable features remain undented by his trouble-torn epell in 1981-83 as the first Socialist prime minister of France's Fifth Republic, writes DAVID MARSH.

In his splendid office in Lille's belfryed town hall, Mr Mauroy recalls with considerahle pleasure his part in ensuring the tunnel's construction.

"With coal, textiles and steel, we were a traditional industrial region, a subcontractor for the Paris region. I said you need something to strike the imagination – above all to spur the service sector and create additional employment."

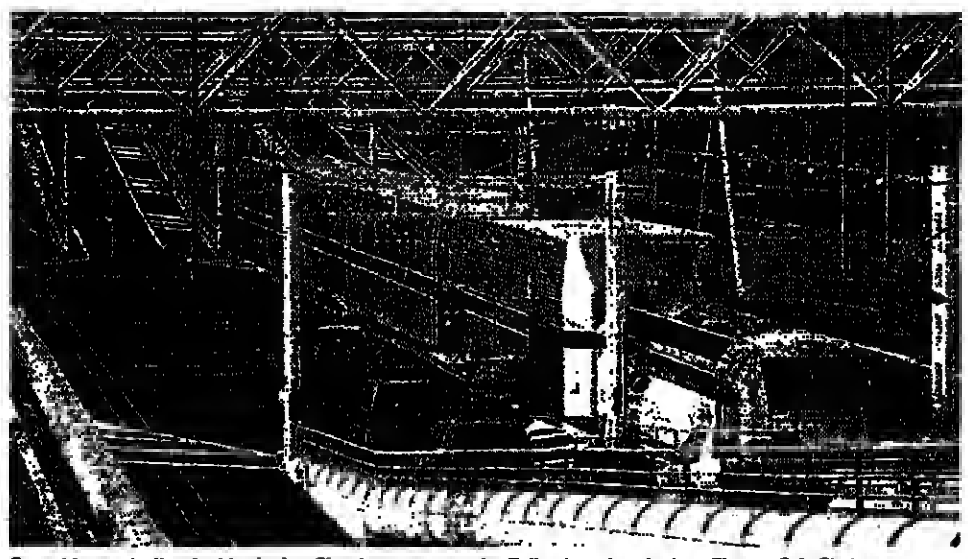
He says he brought up the subject of the tunnel with Mrs Margaret Thatcher, then British prime minister, at an Anglo-French meeting in 1982.

"It was me who spoke to her about it for the first time. We were at a Scottish castle, near the loch where the monster is found. She arrived early. She didn't want to be too disagreeable. But she said, 'I'm not giving you e penny.' I wanted to talk to her about the tunnel, and she kept insisting on Britain's rehete [from the European Community budget]. But I pushed her: tunnel, tunnel, tunnel, tunnel." At the EC summit in Fontainahleau in 1985, Mr Mauroy says proudly, "We came to agreement."

Mr Mauroy sees Lille'e new links to northern Europe as a vital means of giving the region new life. Unemployment, around 12 per cent in Lille, is however a black spot. He points out that the region's electorate voted by a majority of 56 per cent against the Maastricht treaty in the referendum in September 1992. "The region is European. But the people are starting to lose hope."

"There is a link between development of the region and the idea of Europe. If Europe is able to offer them a perspective for improving their situation, they are European. If unemployment rises, and they see no way out, they become anti-European."

A great supporter of European economic and monetary union, Mr Mauroy says, "If developments in Europe continue as they have done during the past few years, it will lose the support of its citizens." The tunnel is Mr Mauroy's strongest hope for keeping the people of Lille on the main line to Europe.



Cars drive on to the double-decker Shuttle wagons at the Folkestone terminal Picture: Q.A. Photos

Charles Batchelor looks at Europe's changing map

The periphery draws nearer to the centre

The opening of the Channel Tunnel and a fixed rail link between Britain and the Continent will provide a welcome boost for the European Union's transport policy.

Previously fragmented programmes wsrs brought together in a white paper published in 1992 which set out proposals to promote the use of rail and sea and canal shipping transport and to rein in the rapid growth of road and air journeys.

In physical terms the Channel tunnel represents a further link in the transport chain which seeks to connect peripheral regions with the centre and reduce geographical barriers to travel.

Elsewhere in Europe road and rail links are being established between Denmark and Sweden, additional rail tunnels are planned to link northern and southern Europe through the Swiss Alps and Spain and France through the Pyrenees.

After many years during which planning for road, rail, air and sea transport took place in isolation, the European Commission produced its outline of a common transport policy in December 1992. The creation of the single European market on January 1, 1993 had given additional impetus to the project.

One of the main problems it sought to overcome was ths imbalance between the different means of transport. The rapid growth of road transport, in particular, had led to a decline in the use of other networks, notably rail, increasing congestion and damage to the environment.

Passenger travel within the EU has risen by 85 per cent over the past 20 years, mostly in the form of private car journeys, which account for 79 per cent of all travel. Freight shipments have increased by half but road transport now sccounts for 70 per cent of goods transported while rail and inland waterway transport have declined in relative terms.

One way of encouraging the use of rail, particularly for freight purposes, is to encourage the development of integrated transport aystems so that goods cen be moved by road for part of the journey and then transferred to rail, ship or barge for the long-haul section of the route. This requires investment in special rail wagons to carry trucks and trailers and in terminals for handling the transhipment of containers and the like.

Speeding up journeys can also make rail sttractive to both passengers and freight. High-speed trains running on dedicated or upgraded tracks are reducing inter-city times for business and leisure travellers while improved track and handling facilities can speed np freight shipments.

At the same time the commission is keen for travellers to bear the full cost of their journey through the use of road tolls and the harmonisation of duties on the different types of fuel. Car travellers are rarely made aware of the cost of their journey at the point of use while rail travellers are very aware of the price of their ticket.

The International Union of Railways (UIC), which groups railway organisations from around the world, believes that the active promotion of rail transport and substantial investments to modernise the network would result in a healthier transport balance. It believes the growth in rail travel in western Europe could increase to 3 per cent a year compared with a 1 per cent rise in road transport and a 4 per cent rise in air traffic.

Two fast Alpine rail tunnels are planned to link Basle with Milan

If nothing is done rail travel growth would remain stuck at 1 per cent e year while road transport would grow by just over 2 per cent and air hy 6 per cent, e recent report hy tha UIC's strategic planning committee calculated.

Switzerland, which is not a memher of the EU, has increased the pressure for s shift towards rail freight. A referendum last March produced a vote in favour of a complete ban on transit lorry traffic through the Alps to take effect in 2004.

This added urgency to plans already under consideration to build two new high-speed north-south rail lines through the Alps connecting Basle with Milan. Two new tunnels would be drilled at a low altitude so that trains would not have a steep gradient to climb and could maintain speeds of up to 125 miles an hour.

One line would go under the Gotthard pass, the most highly travelled transit route today, while the other would go through the Lotschberg south of Bern and continue on the existing rail tunnel under the Simplon pass. Work is expected to start in 1996 for completion in 2007. The Swiss believe that existing tunnels will be able to cope with traffic displaced by the lorry ban from 2004.

Despite attempts by the EU and neighbouring countries to shift traffic off the roads the transport white paper recognises the important role of an efficient road network. As part of its transport planning the EU has drawn up s blueprint for e Trans European Road Network (TERN) to be completed by 2002.

This is a network of high-speed roeds, motorways or four-lane dual carriageways, linking the main ports and citles of Europe and tying peripheral regions more closely into the centre. Cities of 500,000 inhabitants and more would have external ring roads.

The announcement of this programme has caused concern in parts of the UK where local communities fear that all roads on the TERN system will be upgraded to motorways, though this has been denied hy the UK department of transport. The EU plans to devote additional resources to creating this network hut it will be expected to fit into national road building programmes.

An important gap in European road and rail networks which will shortly be closed is the sea barrier between the Islands of Denmark and between Denmark and Sweden.

A combined tunnel-bridge taking both rail and road traffic between the Danish islands of Funen and Zealand is dus to be completed within the next year or so while plans are also far advanced for a 10 mile-long crossing of the Oresund between Copenhagen and Malmo. The crossing, also a combined bridge/tunnel, could be completed by about 2000.

The highly visible physical links betweeu the different parts of Europe such as the Channel Tunnel and the Oresund crossing are finally being completed. But It will take far longer and cost even more to create a bealtby balance between the established transport networks in Europe.

■ SECURITY

On guard against accidents and terror

The financial pressures on the tunnel to open on schedule have taken second place to the key commercial imperative of ensuring – to the maximum extent possible – that it cannot permanently be crippled hy an accident or terrorist attack.

Among the numerous security staff, intelligence officers, pollce, fire hrigade, ambnlance, and army personnel on both eides of the Channel engaged in the project is Tony Blyth, a former British Rail operations manager who is the tunnel's safety director. "If we have a major accident, we are dead as a company," be says.

Two other key people are Detective Superintendent Cliff Grieve, the UK head of ports and tunnel policing, and Commissaire Principal Marc Haem of France's Police de l'Air et des Froutières. They share responsihility for security of the tunnel Itself and of the shuttle terminals at Folkestone and Coquelles.

French and British police officers will have extraterritorial powers In each others' countries

Together they claim to have developed a culture of transnational police cooperation to try and ensure, says Grieve, "that people on a daily basis do not escape justice tbrough the Chunnel".

In aiming for maximum efficiency, Blyth, Grieve, and Haem have had to grapple with a complex mixture of private and government personnel, hinational agreements and internal committees developed in the run-up to the opening of the tunnel.

The structure Includes an Anglo-Frencb Safety Authority set up for the tunnel project and the existing official safety watchdogs in both countries, the UK's Health and Safety Commlssiou, and France's Inspecteur du Travail.

The operation of safety and security comes under the political umbrella of a lengthy protocol agreement. This was initialled at Sangatte by tbe UK and French governments in November 1991 and technically came Into force in August last year.

The Sangatte Protocol takes its cne from the Schengen trans-European policing agreement, of which France but not the UK is a signatory. It thus represents a totally new experience for the British pollce who have tended to resist eucroachment oo to their territory by any of their European counterparts.

The Protocol gives extraterritorial powers to British and French police officers in specially designated control zones at the international termiuals in London and Paris, and in the ehnttle terminals at Cheriton and Coquelles. Thc througb trains are also control zones where both police forces will have powers of arrest.

Article 10 of the Protocol states: "The officere of the adjoining State shall, in exercise of their national powers, be permltted in the cootrol zone situated in the host State to detain or arrest persons in accordance with the laws and regulations relating to frontier controls of the adjolning state or persons sougbt hy the authorities of the adjolning state."

In splrit the Protocol, as defined in Article 5, aims to simplify and speed up the formalities whicb normal law abiding passengers either travelling by train or the Shuttle will have comply with wheu using the tunnel.

At the same time, it aims to harmonise security and safety arrangements so as to ensure that any emergency or threat is reacted to speedily and effectively witbout getting bogged down in disputes over soverelgnty.

In the run-up to the opening of ths tunnel, the application of the Protocol has been put through a trial run in joint sxercises and iuterminahle meetings.

The exercises bave shown up failures in a number of areas inclnding fire-fighting eqnipment and communications. The meetings have produced some stormy sessions In which British and French officials have argued over issues ranging from whether some dangerous goods vebicles should be allowed through the tunnel to the use by French police of small arms In and around Waterloo station.

Eurotnnnel says the setbacks form part of the inevitahle teething problems of any engineering project of such a size and complexity.

"We waot to get it right before letting the geoeral public in," insists Tony Blyth.

On the pollcing side, Kent officers and their counterparts In and around Coquelles say they have developed a good working relationship over a number of years.

It will be up to Eurotunnel to ensure that mounting commercial competition does not lead to laxity

But they are only cogs in the large security and judicial machinery whlch will be truly tested only when the tunnel is fully operational.

A recent risk assessment commissioned hy the London hased Research Institute for the Study of Conflict and Terrorism concluded that the Channel Tunnel was probahly the least vulnerable to major damage of any under-sea tunnel in the world.

However, seversl experts believe that the higgest threat to the tunnel stems from its being a prestige target for terrorists.

Much of the burden of respousihillty will lie with Eurotnnnel, bowever, in ensuring that the commercial pressures do not lead to greater laxity over security and safety checks.

Jimmy Burns

Andrew Baxter studies the special rolling stock and who has built it

Europe wheels out its best

The supply of trains for the Channel Tunnel – locomotives, rolling stock, wagons for cars, coaches and freight – has been s remarkable pan-European effort, even if there have been plenty of delays and arguments along the track.

Technical challenges and the sheer scale of the project – and hence the size of the contracts – are partly to blame for timetables slipping.

On top of thet, however, the contracts were awarded, and are on their way to completion, during s period of intense upheaval in the railway equipment industry, whose overcapacity problems are forcing it to consolidate across Europe.

In summary, the main contracts are as follows:

- Eurostar trains. Transmanche Super Train Group, led hy GEC Alsthom, is building the 31 Eurostar trains for the inter-capitals day service – London to Brussels and Paris – at approximately £24m apiece.
- Eurostar trains beyond London. The same consortium is building seven slightly shorter Eurostar trains for the daytime services from Scotland and from Manchester to Paris and Brussels.
- European night services. Metro-Cammell in Birmingham, which is part of GEC Alsthom, is huilding the 139 units of rolling stock for these services, which will go from Glasgow, Plymouth and Swansea to Paris or Brussels, and from London to Amsterdam, Dortmund or Frankfurt.

Nine of the 46 Class 92 locomotives being huilt by Brush Traction, part of BTR, for British Rail and SNCF, the French railways, will be used to haul these services, st least as far as Calais.

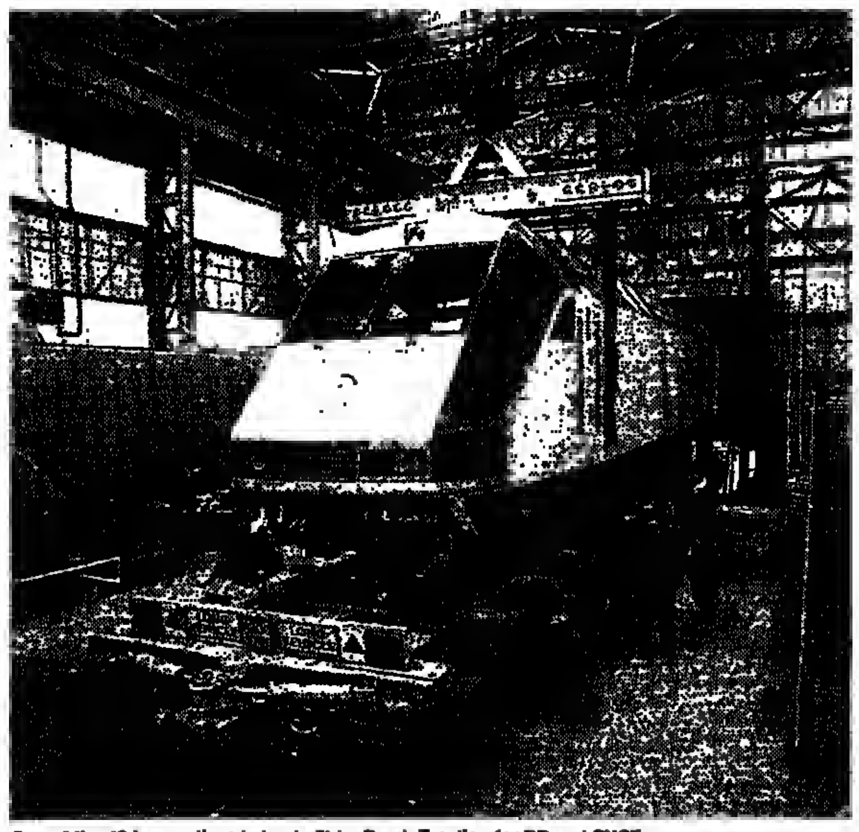
- Freight services. The remaining 37 Class 92s will be used by BR's Rail Freight Distribution, and SNCF'e freight service, to carry freight through the tunnel and beyond. Arbel Fauvet Rail, based at Douai in northern France, is building low-platform iutermodal wagons – which can carry freight in containers and "swapbodies" – and fully-enclosed wagons for shipping new cars.
- Le Shnttle. Thirty-eight locomotives for the cross-Channel car, coach and truck service are being built by Brush Traction in Loughborough and Asea Brown Boveri, the Swiss-Swedisb engineering group.

The contracts are on their way to completion In spite of upheaval in the railway equipment Industry

ESC Wagons, a consortium created by Bombardier of Canada and its subsidiary Bombardier Eurorail, is responsible for building 254 double- and single-deck wagons for Le Sbuttle. The single-deck vebicle carriers were assembled at BN in Bruges and the double-deckers at ANF-Industrie at Valenciennes, France. The manufacture of 19 single-deck loaders, included in the total of 254 wagous, was subcontracted to Fiat Ferroviaria in Turin.

The Italian company, in consortium with Breda Construzioni Ferroviare, also won the contract for the design and construction of 270 wagons to carry heavy goods vehicles and their crews.

The delays and controversy have centred on Le Shuttle railcars and Eurostar trains. In December, Bombardier said it expected to make a loss on its C$820m contract to supply railcars, signed in 1989, and said a C$450m cost overrun was almost entirely due to design changes imposed by French and British government safety inspectors.



One of the 46 locomotives being built by Brush Traction for BR and SNCF

ESC is to receive FFr700m in phased payments while Bombardier will receive up to 25m Eurotunnel ehares In settlement of its claim against Transmanche Link, the main contractor for the tunnel, for costs arising from changes In the rolling stock design. So far, at least 202 wagons have been delivered and the order is expected to be completed this year.

The Bombardier order had been ewarded in July 1989 by TML after an international call for tenders, but the genesis of the Eurostar trains was rather different.

Because of the technical challenges – the need for the train to run on all three networks and cope with different power and signalling systems – and the many special safety features, "we did not want everything new – we were looking for proven high-speed train technology," says Mr Malcolm Southgate, deputy managing director of European Passenger Services.

In ths mid to late 1980s, the only European contender was therefore Alsthom – later to become GEC Alsthom – which has built the French TGV trains. The German ICE trains had yet to start operating, and as the UK, French and Belgian governments all wanted some manufacturing in their countries, the Japanese Shinkansen trains did not appear to get a look in.

The original date for delivery of at least the first Eurostar trains was May 1993, in line with the tunnel's scheduled opening.

Safety requirements, in particular the need for fire protection including a 30-minute inbuilt resistance to fire to protect passengers – generated a lot of detailed design work, but did not hold work up, says Mr Southgate.

Instead, he lists a number of reasons why the initial Eurostar "Discovery Programme" service is due to start only in July, building up to hourly services in the autumn. The first was the choice of power drives. The French TGV trains had used so-called synchronous power drives, hut GEC had developed asynchronous drives which were seen as a better bet for the Eurostar trains because they are lighter.

The maximum load on each axle allowed by SNCF is 17.5 tonnes, and the Eurostar trains have to carry power equipment for three networks too. But developing the asynchronous power drives for the trains took longer than was originally foreseen, says Mr Southgate.

There were also arguments for two years on what sort of signalling system to use. A cab-based, rather than line-side signalling was necessary for safety reasons – drivers would not have enough time to react to lineside signals. Eventually a French system was chosen from a number available on the continent, and adapted to deal with the variety of trains using the tunnel.

A more sensitive reason for the delays revolves around the method of manufacture. Mr Southgate says the decision to build different parts of the trains at plants in the UK, France and Belgium caused big logistical problems, which took some time to be recognised.

It may also be relevant that the early stages of the contract came very soon after the creation of GEC Alsthom from the merger of GEC and Alsthom's power engineering and transportation equipment interests. The difficulties in merging a UK and a French company loomed large in the early days of GEC Alsthom.

In the past few months, what is hoped will be the final problem has emerged. A complex monitoring unit designed to prevent the electrical currents generated by the train itself from interfering with the signalling was activated by the frequent gaps in the third, conducting rail on the UK leg of the Eurostar train's journey. The solution, replacing about 3,000 track circuits between London and the Channel Tunnel, is now underway.

The good news, however, is that deliveries of trains have kept pace with the revised deadlines, and delivery of the final capital cities trains is now scheduled for early 1995. Mr Southgate believes the capital cities service will be up to full steam, at least for a winter service, by January or February next year.

Maurice Samuelson recalls earlier attempts to burrow to France

Pioneers in the chalk

The first attempt to bore a tunnel under the English Channel was made in 1880, using s machine designed by Colonel Frederick Beaumont, a retired Royal Engineers officer with a wide experience in military tunneling.

His machine, operated by compressed air, had at its head two revolving arms fitted with 14 cutting hlades. As the chalk was cut away it fell on to e conveyor belt to be loaded on to skips.

The tunnel, which was about 2.4m in diameter, started from an access shaft and reached 2km in length when the project was halted. A similar tunnel was started in France from near Sangatte. The work at Dover was stopped in 1883 wheu the Government obtained a High Court order to prohibit further activity.

In 1922, a trial bore 3 metres in diameter was made at Folkestone using a Whitaker machine. The steam-powered, electrically driven machine had originally been developed by the Royal Engineers for mining under the German lines in the Great War.

It was left on the site when boring ended and part of it has been recovered and restored for displsy st the Eurotunnel exhibition centre in Folkestone.

In 1974, work began on a much larger tunnelling system, similar in size and configuration to that used to complete the present tunnel. In the UK an access tunnel was made at Shakespeare cliff near Dover and a rail access tunnel bored to the level of the present rail tunnels.

Some 400m of service tunnel were bored before the work was ahandoned in 1975. During these works the 1880 Beaumont tunnel and shaft were found to be in good condition. They have now been sealed off.

However, the 1974 tunnelling at Shakespeare Cliff has been incorporated into the Eurotunnel system.

Kent workings in the 1880s Picture: Hulton

☐ A BASIC GUIDE TO THE SYSTEM AND HOW IT WORKS

Inter-City and coast to coast

The Eurotunuel system consists of three parallel tunnels: two single-track tunnels and a smaller service tunnel. They run for 38km under the Channel.

The rail tunnels will be used by Eurotunnel shuttle trains carrying road vehicles, and by through-trains operated by the British, French and Belgian national railways.

The service tunnel, which is linked to the rail tunnels by cross paseeges every 375 metres, will be used for maintenance and also for evacuation in case of emergency.

There are two undersea crossover caverns where the rail tuunels are hrought together, making it possihle for trains to cross from one track to the other. The crossovers divide the length of the rail tunnels into three equal sections, any of which can be closed off in an emergency or for maintenance.

The two rail tunnels were excavated 30 metres apart and no closer than 8 metres to the walls of the service tunnel.

When it opens for business later this year:

- Eurotunnel will operate a rail shuttle service for passenger and road-freight vehicles on a rail loop between terminals at Folkestone and Calais;
- the national rail companies of Britain, France and Belgium – BR, SNCF and SNCB – will operate through-train services. High speed passenger services, using specially built Eurostar rolling stock, will link London with Paris, Brussels and beyond. Rail freight services will aleo serve UK regional centres.

In both Britain and France, vebicles will turn off the motorway directly on to the terminal approach roads. After passing the toll booths, frontier controls and securlty checks, they will be directed to an allocation area before boarding the shuttles.

Vehicles will be put on the first available shuttle. Tickets may be bought at the toll or in advance but will not involve reservations for specific shuttle departures.

Vehicles will pass through both French and British frontier controls before departure and there will be no further cbecks on arrival. Amenity buildings at both terminals will offer a range of services to travellers.

Most drivers and passengeers will remain with their vehicles during the sbnttle journey, which will take about 35 minutes. The total transit time from motorway to motorway is expected to be just over an hour.

Motorcyclists will also travel in passenger vehicle shuttles, hut will park their machines in a special section of the ebnttle and travel in separate passenger compartments. Cars and other vehicles less than 1.85m high will travel in donble-deck carriages. Coaches and vehicles more than 1.85m high will travel in single-deck carriages.

Eurotunnel descrihes the passenger vehicle shuttles as well-lit airconditioned and sonnd-proofed. During the journey each carriage will be divided off from the next by sliding fire shutters. Passenger access doors will allow free movement on either side of these fire barriers and there are toilet facilities in every third wagon.

Cars will board the shuttle through wide access doors in a loading wagon at the rear of each section, moving forward through the carriages until instructed to stop. On arrival cars will leave the ehuttle through an unloading wagon at the front of each section.

The service will operate day and nigbt throngbout the year. Tickets may be bought at the toll or iu advance, hnt will not involve a reservation for s specific shuttle departure. When a vehicle arrives at the terminal it will be put on the first available shuttle.

In the early years, passenger vehicle shnttles will run at about 15 minute intervals dnring peak periods and 20 minnte intervals during the day. The minlmnm service, at night, will be one passenger vehicle shuttle per hour.

Freight vehicles will be separated from cars before thc toll booths and follow different routes through the frontier controls and security.

The shnttle wagons for freight vehicles are not air conditioned or sound proofed. Lorry drivers will travel in a special coach, the Club car, at the front of the shuttle, where refreshments are served.

Initially freight shuttles are to run np to three times an hour; the overall motorway to motorway transit time is expected to be about 80 minutes. In addition to the rolling motorway shnttle serivce, half the tunnel capacity has been leased to national rallway companles who will operate conventional freight and passenger through services.

Passenger through tralns will link London Waterloo with Paris Gare du Nord and Brussels Midi. Intermediate stations are at Lille and Fréthun near Calais and a third is planned at Ashford in Kent. Later there will be day and night "sleeper" services running beyond the three capitals.

Maurice Samuelson

Lille hopes for an economic rebirth, reports **David Buchan**

A French city blessed by geography

"We would never have built this on the same scale, if there had been no Channel tunnel," says Mr Jean-Paul Baietto, general manager of Euralille.

The project, which occupies nearly 70 hectares in the centre of Lille, is linked intimately with the Cbannel Tunnel as the city, in north eastern France, will be the first continental stop for rail passengers from England.

Costing FFr5.3bn, it is the biggest construction development on the European continent – apart from the rebuilding of unified Berlin. It will comprise a space-age station for the Eurostar TGV trains, a conference centre, office towers and residential blocks covering some 300,000 square metres.

The Tunnel should eventually put Lille witbin two hours of London, and the subseqnent decision to build the northern Europe TGV system means that Lille will eventually be only half an hour from Brussels, two bours from Amsterdam, and two hours ten minutes from Cologne. It is already only one hour from Paris.

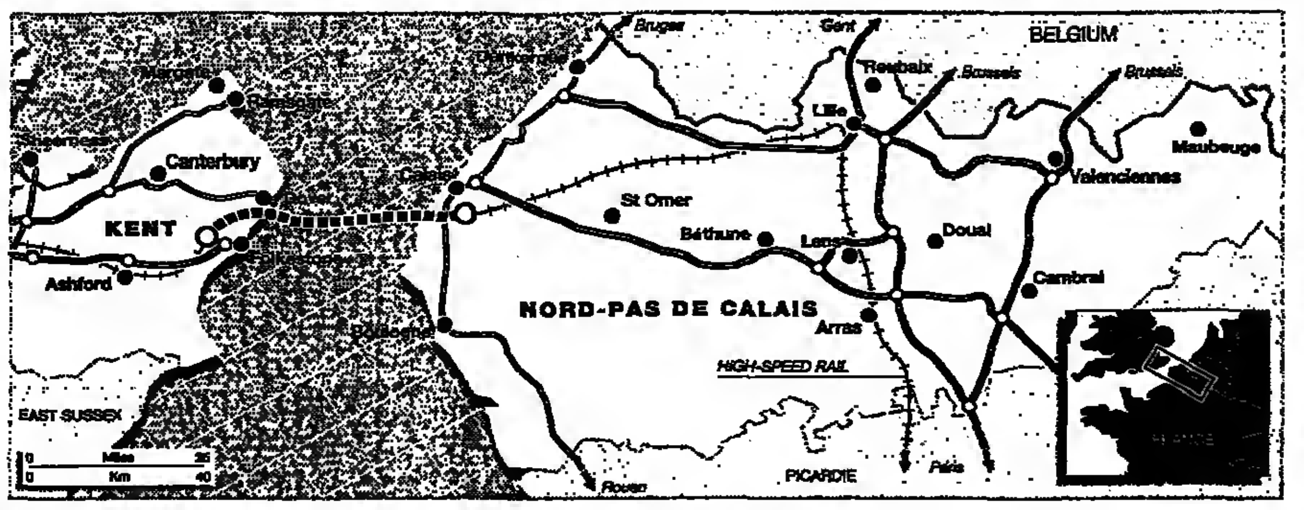
A spin-off of all these TGV decisions, Euralille wss only started in 1991, and since then has been a *"projet d grande vitesse."* Indeed, "if the tunnel had been on time, we would have been late," admits Mr Baietto. As it is, the year's delay has meant that Euralille will be ready this month to receive its first Eurostar train, even though regular service will only begin later.

By chance Euralille was able to take over 70 empty hectares in the city centre, which had belonged to the French army since the 17th century days, and to be able to draw lessons from other projects – "we have tried to learn both from the Docklands' lack of transport connections and from La Défense in Paris which is busy with office workers during the day, but dead at night," says a Enralille executive.

Lille will be the first continental stop for rail passengers from the UK

Euralllle's TGV station is being linked with the local metro, bus and tram systems. It will have two large office blocks, the Crédit Lyonnais tower after the bank which is reinforcing its presence in Lille, and the Lilleurope tower. The new conference centre will be called the Lille-Grand Palais. There will also be a mixed leisure and residential centre to keep the area alive outside working hours.

"With the frequency of TGVs – up to 100 a day by 1996 – it should provide a very convenient base for anyone with constant travel around northern Europe, such as lawyers, bankers, logistics specialists," says Mr Baietto. He has been visited by the mayors of Ashford and Dartford in Kent keen to learn how Lille is capitalising on the TGV.



The Tunnel is helping the Lille region to shed its image as a grimy 19th mining and textiles centre. That is how it is seen by Mr Brumo Bonduelle, head of the world's largest vegetable canning business and president of the city's APIM development agency – "for a long time, Lille seemed a cul-de-sac, with everything centralised on Paris. Now it is re-finding itself as a centre of trade between the north and south of Europe, the role it had in the Middle Ages," he says.

Within a 250 km radius of Lille, "you have nearly 80m of the richest people on earth," says Mr Bonduelle. His total includes 20m people in Greater London, 15m in the Paris region, 20m Belgians and Dutch and 20m Germans in the Ruhr. They, rather than the Tunnel alone, are the reason why the Nord-Pas de Calais region has been winning French and foreign investment.

Mr Philip Ulyett, head of the Lille British Chamber of Commerce, says there is a great questionmark over how rapidly the Tunnel traffic will develop. But there are still sound commercial reasons why nearly 250 UK companies have set up, or bought into, the region, be says. Mr Michel Maton of the Nord-Pas de Calais development agency makes the same point – "a transport axis is an opportunity but not a guarantee of jobs and investment – a necessary bot not sufficiant condition." Bnt the region'e strategic position, combined with French labour costs (pay plus social charges) that are 15-20 per cent lower than in Germany, Belgium or the Netherlands, have drawn foreign firms in; even lower labour costs in Britain are offset, for some industries, by the fact that nnclear-generated electricity iscbeaper in France."

Recent arrivals include the US-Japanese joint venture of Ajinomoto and Nutrasweet at Gravelines; Häagan-Dazs Ice cream (now owned by Grand Met of the UK) at Arras; Ingram Micro (a US computer maker) in Lille; Worthington-Armstrong, makers of metal grids at Valenciennes; Pittsburgh Plate Glass near Douai; and Coca-Cola at Dunkerque. A new enticement is a 22 per cent tax break for investments on sites totalling 600 hectares in the Valenciennes, Maubege, Cambrai and Béthune areas.

Because of the region's good communlcations it is now home to 75 per cent of France's mail order business, a trend started by local textile companies but now spread to many sectors.

The Tunnel is helping the Lille region to shed its grimy industrial image

The area also includes Eurotéléport, a new satellite-based telecoms operation in Roubaix. Financed partly with European Union money as a step towards liberalising the EU's telecommunications, Eurotéléport enables French companies to bypass France Télécom's existing monopoly when communicating with their subsidiaries, firstly inside France and eventually abroad.

The nearer a company is to the Tunnel, the more It can benefit. For example, TIM, belonging to the German group of Fritz Meier, exports 30-35 per cent of the tractor cabins it makes at Dunkerque to the UK. "This works alright," says Mr Régis Verhaege, TIM's finance director, "but using the Tunnel will mean we won't be delayed by storms or the dockers' strikes which are more frequent on the French side."

The greatest economic impact will be felt at Calais. At the French end of the Tunnel, Eurotunnel has set aside 100 hectares for its Cité de l'Europe. Some 90,000 square metres – nearly a third of the total development – will be a commercial centre, ready by next March and to be managed by Espace-Expansion which runs the Forum des Halles in Parls. Witb Carrefour and Tesco supermarkets, shops such as Toys 'R US and a Gaumont cinema complex, "the idea is that the Cité de l'Europe will draw in tourists who can then go on trips to the Côte d'Opal, from Le Touquet to Dunkerque," says Mr Georges Saury, Eurotunnel'e development director.

As for jobs, Eurotunnel already has 1,400 employees on the French side, with another 600 jobs in various forms of subcontract work, and a further 400 jobs for French police, customs and firemen. If the Cité de l'Europe realises Mr Saury's bopes, it will employ some 1,500 people.

Belgium looks for economic spin-offs

Big potential benefits

The official opening of the Channel Tunnel later this year promises to help revitalise the north-west regions of Belgium, even though the country's biggest ports will suffer a loss of traffic.

The chambers of commerce in Veurne and Courtrai, along with . tbe West Flanders Regional Development Authority in Brüges, are gearing up to become part of what they refer to as the "new European Metropolitan Area."

This takes in the Nord-Pas de Calais in France, Western Flanders and Hainaut in Belgium, and Kent in the UK.

The potential for this region is enormous. According lo Mr Anthony Vande Candelare, an urban planner who made a study of the inflnence of the Channel Tunnel on the west of Belgium and tbe North of France: "Overnight, the Belgian coast and the North of France will become the centre of Europe."

Mr Jo Libeer, managing director of the Courtrai chamber of commerce, is equally optimistic abont tbe likely impact on the area of the tunnel.

"Witb tbe TGV and the chunnel this region, which was sort of in the corner of Europe, will now be in the middle of a new developing area," he says.

This is no bad thing for Belgium. In its last economic survey of the country, the Organisation for Economic Co-operation and Development said the Belgian economy had deteriorated "progressively" since the 1980s. "And over the last 10 to 12 months it has taken a distinct turn for the worse."

Furtbermore, Flanders, the area most likely to benefit from the arrival of the tunnel, has recently suffered more rapid increases in unemployment than in Wallonia and the Brussels region. The unemployment rate, whicb in 1990 was 9.5 per cent in Flanders has risen to 13 per cent.

The Belgian chambers in the regions most directly affected believe there are two main areas for development: firstly, increasing traffic tbrough western Flanders as holidaymakers and freight carriers head towards the tunnel-opening in Calais; and secondly tourism. To benefit fully, bowever, a crucial 7km stretch of the E40 European motorway between Veurne and the French border has yet to be completed.

Flanders, in particular, may gain a much-needed economic boost

Once this is done it will be possible to drive from Russia to England without leaving a motorway, says Mr Philippe Claerboot, chairman of tbe Veurne chamber of commerce and industry. Fortunately, plans to complete the stretch have been agreed and it should be open some time next year.

On the downside, the Westhoek region is badly placed to benefit from rail transport.

"Even after the doubling of the tracks and electrification of the railway line between Gbent and De Panne, we will still be a remote corner," says Mr Claerhout.

Furthermore, Belgium's biggest ports are expecting traffic loads to fall, as freight and passengers are directed towards Calais. Worst affected will be Ostend and Zeebrugge, two ports hoping to bold their own by concentrating on links with ports in the north of England.

Nonetheless, the improved, if imperfect, transport communications of the West Flanders region are apparently paying off. Mr Geert Sanders, who works for the Regional Development Authority of West Flanders, says there is already evidence that tbe region's enhanced communications are attracting new businesses. For example, Baronie, a Dutcb chocolate company, is opening a new base in the southern part of West Flanders.

There is, however, a danger that Belgium will not make the most of the commercial opportunities – "we will try to attract new industry, but our region is very small and our industrial zones are full," says Mr Ludo Verstraete, of the Veurne chamber of commerce. The Belgian authorities have dragged their feet over decisions to dedicate new areas, be says.

The other main focus for development is tourism. As Mr Claerhout says: "We need to convince people from other countries that it is worth their while to stop in Westhoek at the time of their journey through the North of Europe to England."

The potential is there. West Flanders is home to some of the best-known World War One battlefields, and promoters of the region insist thet its large, open green spaces will, when properly developed, attract foreign visitors. But once again, there is a danger that Belgium will miss ont. It has been slower to develop the tourist potential of the Channel Tunnel than France.

Around Calais, a commercial and leisure centre, hotels and activity parks, known as "La Cité de L'Europe", are springing up while Lille is bome to Euralille, a similar development. As Mr Verstraete of the Veurne chamber of commerce says: "Tourism is very important . . . we really bave to develop our botels and tourist infrastructure."

But the biggest advantages for Belgium will come from close co-operation between the national and federal authorities and their French and UK counterparts. In a Europe without frontiers, this will be the most effective way of benefiting from the the Channel Tunnel.

Emma Tucker

Ferries launch an all-out war for passengers

It's that D-Day spirit

The Channel ports owe a vote of thanks to a legendary Britisb Lions rugby captain. Asked many years ago bow he would combat a frigbteningly tough South African team, be said: "Simple. We will get our retaliation in first."

Every ferry operator and harbour owner threatened with losing business to the Channel Tunnel has taken this philosophy to beart.

Milllons of pounds have been invested in new or upgraded terminals and ships, and costs are being cut to the bone, mainly through staff lay-offs. Passengers and freight hauliers are already feeling the benefit of cheaper, faster services. EuroTunnel can, therefore, see the scale of competition even before services are properly under way.

"But no-one knows who will win the battle," says John Gntteridge of tbe Freigbt Transport Association. "Time-saving will be unimportant to long-distance hanliers. Everything depends on services and costs, and we are still not certain how they will pan out."

Opening delays have helped the ports immeasurably. They all planned retaliation to strike last year, when the tunnel was due to open. Further postponement has provided extra time to fine-tune the blows.

Dover, whicb overshadows every other port fur passenger traffic, may have the most to lose. It has already lost 4,000 jobs as ferry-related employment crashed to 8,000 in four years.

But that is due to greater efficiency, says Keith Southey at the Dover Harbour Board – "we are handling more passengers and freight with fewer people," he says.

Throughput has risen from 14.4m passengers and 858,000 lorries in 1986 when the tunnel was given the go-ahead to 18.5m and more than 1.1m respectively last year. This comes partly from natural growth but also in response to investment averaging £1m a month, tncludlng a new £11.5m ferry berth.

The board, which collects around 85p for each passenger, has cut charges to shippers by 25 per cent in real terms over the last three years through increasing efficiency and economies. But a strong attack has also been made on EuroTunnel's offer of a faster trip. P&O European Ferries has compnterised Its check-in to whisk people through in 20 minntes. This belped the group to a fourth consecutive record year in 1993, shipping 8m passengers and more than 250,000 lorries.

Stena Sealink, which carried 6m passengers and 312,000 lorries last year, has increased the number of sailings and simplified fares. But both companies are banking more on quality than price and speed to compete with the tunnel. P&O has invested more than 400m in ships and training while Stena has put 250m into four new ferries. They are aiming to attract passengers with boutiques, restaurants and comfort in both terminals and on board, claiming the crossing will be a welcome break for travellers.

Real competition to EuroTunnel, however, seems likely to come from a merger of eastern Channel operators. Dover risks crippling loss of ferries unless the big operators combine, says PA Cambridge Economic Consultants in a review of the Kent Impact Study, commissioned to assess the effect of the tunnel. But the Monopolies and Mergers Commission has pot everything on the back-burner until it sees what happens to traffic patterns.

Meanwhile, Folkestone is fighting Its own battle for survival. Too small for the new super-ferries, it lost 700 jobs wben services were cnt and faced destruction in the crossfire between Dover and the tunnel.

Sea Containers, the harbour owner, is fighting Eurotunnel with its own weapons – speed and price. Aronnd £1m has gone into facilities such as shopping and fast check-in services, while the Seacat service to Boulogne will offer extra sailings and greater capacity on each vessel.

Hoverspeed, which claims 16 per cent of the short-haul market after carrying 2m passengers last year, is guaranteeing that fares will be 10 per cent below any to Calais.

Newhaven, another Sea Containers port, is in the longer-haul market via the Stena crossing to Dieppe. It could find help from the other side of the Channel through European Union grants to belp expansion.

Sally Lines has a slightly different line of attack. Its four-bour services between Ramsgate, Dunkerqne and Ostend are promoted as a leisurely break for weary passengers. And In a pre-emptive strike to double last year's 2m passengers, the gronp bas stepped in to replace P&O in partnership with Ostend Lines.

Competition for potential tunnel traffic extends to the west as well. Operators at Portsmontb and Poole, for instance, are making great play abont access to the holiday hotspots of north-western France, and freight markets in the Iberian peninsula.

"Going on boliday through the tunnel would be like a French visitor travelling via Middlesbrough to Cornwall," according to Ian Carruthers, managing director of Brittany Ferries. He has a rich market to protect. Since 1985 motorised tourist traffic west of Le Havre has grown by 15.5 per cent a year compared with 10.6 per cent on the sbort crossings. The company claims to bave tightened Its grip on this area, claiming almost balf the passenger and freight traffic west of Dover.

But it is not relying merely on geographical logic to ward off the tunnel influence. Some £350m has gone into new ships over the last five years and a ninth ronte, between Poole and St Malo, opens this month. Sonthampton is remarkably sanguine abont tbe tunnel. "Overall, it conld be potentially beneficial," says Patrick Bowyer, the port's marketing manager.

The owner, Associated Brit-isb Ports, has invested heavily to maintain a buge lead in freight, although it will not reveal details. Some 30m tonnes flowed through tbe docks last year, far ahead of any other UK Channel port and a big buffer against any leakage to the tunnel.

Bnt a residual bitterness remains over the fligbt of ferry companies to Portsmonth. Stena has returned with a Cherbourg service, pushing passenger figures to more than 480,000 last year compared with 145,000 in 1990.

Around 150m cross-Channel passengers a year are expected withln a decade compared with less than 65m in 1990.. Freight traffic is likely to grow even faster. Few will predict today how this growing pie will be split.

David Lawson

Regions: Kent waits in hope and foreboding, writes **Richard Evans**

Many unanswered queries

Kent is looking forward to the opening and full operation of the tunnel with a curious mix of fear and hope, foreboding and enthusiasm.

The contrasting views come from different parts of the county and are based on the varying impact the project will have on local jobs and economic prospects.

The days when the opening of the tunnel was regarded locally as an automatic boost to jobs and a panacea for many of the county's problems have *long disappeared. The last few* years have been too painful, particularly in north and east Kent, and too many unanswered questions were raised during the tunnel's construction.

In 1987, the first estimates of tbe Kent Impact Study suggested that an additional 9,600 to 12,900 jobs might be *created by* the *tunnel and* its related infrastructure, but following the impact of recession this was revised sharply down in 1991 to 2,000.

There were several contributory reasons for this dramatic decline apart from the recession, including much greater job losses than expected among the ferry operators at Dover, *Folkestone and Ramsgate,* and among customs officers and freight forwarding agents following the introduction of the European single market.

Even these modest benefits are likely to be concentrated of specific areas such as Ashford and not oo more peripheral areas of north and east Kent like Swale (Sheppey and Sittingbourne) and Thanet (Margate and Broadstairs), where additional employment is most needed. There remains a view that the tunnel could create a corridor of affluence from the coast to London, leaving the remaining areas out in the cold.

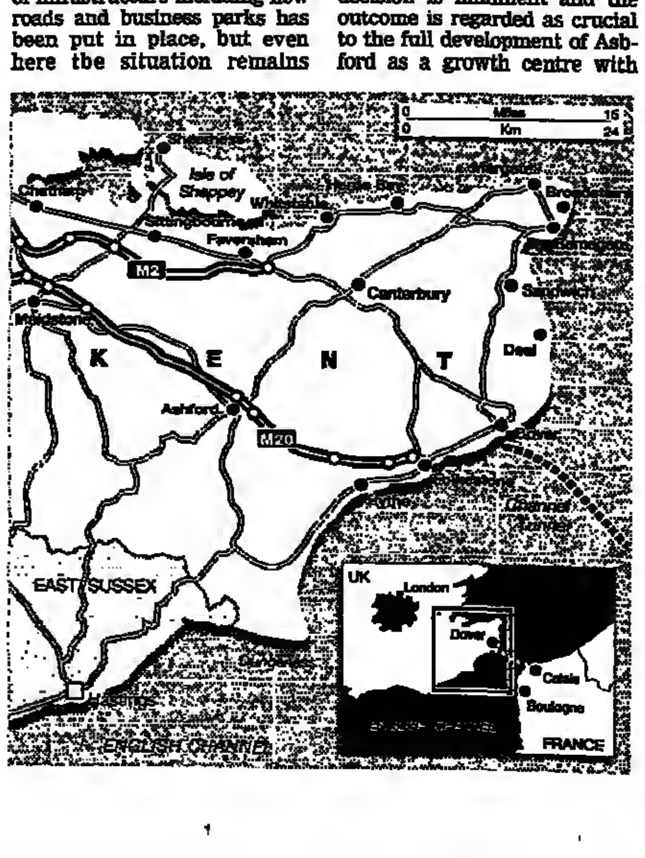
The extended recession has also meant that few developments have been made before the opening. It was only when the initial breakthrough of the *service tunnel was achieved* in December, 1990, that completion became accepted as certain, but economic circumstances then delayed many of the oecessary infrastructure improvements.

The three areas with a good eupply of development sites are Dartford, Maidstone/Malling and Ashford. These strad*dle the main tunnel transport* corridor and are potentially the most attractive locations for new economic activity.

Ashford, an *historic market* town, has been earmarked as a growth centre and a great deal of infrastructure including new roads and business parks has been put in place, but even here tbe situation remains blurred and progress has been frustratingly slow.

Potential inward investors bave been reluctant to commit themselves until a decision is reached by the *government* and British Rail on the line of the fast rail link serving the tunnel. There are three possible routes at Ashford under discussion, central and southern ones that would go through the £50m international passenger station under construction in the town centre, and a northerly one thet would *bypass it.*

Choice of the northerly route parallel to the M20 motorway would be a big economic blow according to local civic leaders as it would mean fewer trains would stop at the station. A decision is imminent and the outcome is regarded as crucial to the full development of Asbford as a growth centre with its spin-off effects for the rest of east Kent.



Outside the affluent corridor occupied by Canterbury, with its tourism and retailing *strengths, Maidstone,* the county's administrative centre, and Ashford, the impact of the tunnel remains problematic, certainly in the next year or two. The 1991 impact study suggested that new employment opportunities would be generated from 1996, including in areas like east Kent, and that these would be enhanced by the construction of the international rail link by the turn of the century.

In the meantime, the most deprived parts of east and north Kent bave banded together to form the east Kent initiative to push for help. The first key objective was achieved last year with the granting of assisted area status and the acknowledgment by government of the area's problems. Aid from both Whitehall and from Brussels, particularly for Thanet whicb has full development area status, should ensure that training and infrastructure grants are forthcoming to attract more inward investment.

Hardest hit of all by the completioo of the tunnel has been Dover, by far the biggest cross-channel ferry port. The combination of the tunnel and the single European market has led to the loss of around 6,000 jobs in the district.

There is an assumption that when the tunnel is fully operational it might attract up to 50 *per cent of the* tourist car business and perhaps 25 per cent of the freight business. Nevertheless, ferry operators and the Dover harbour autborities remain bullish about long term prospects, but they admit that the ferries will have to continue to slim down in order to remain fully competitive.

The search for loans for the project is an unfinished struggle, reports **Robert Peston**

Japan plays biggest financial role

As Eurotunnel embarke on its fifth fund-raising exercise since the company was created in 1986, its bankers and advisers are wondering whether the group's Japanese bank lenders will once again have to be "handbagged" into supporting the refinancing.

Japanese banks have contributed more of Eurotunnel's loan finance – some 23 per cent – than those from any other country. But on a famous occasion in tha summer of 1990, Eurotunnel was kept out of receivership by the intervention of the former British Prime Minister, Margaret Thatcher, when she wrote a letter – famous in Eurotunnel as the "handbag letter" – to the then Japanese premier, Mr Toshiki Kaifu, urging him to persuade Japanese banks not to block a much needed injection of new bank loans. In the past two weeks, Eurotunnel and its bank advisers have been wondering whether they might need the persuasive pnwers of Mrs Thatcher's successnr In their attempt to raise £1.3bn of new debt and equity.

Japanese banks have contributed the biggest slice of Eurotunnel's loan finance – some 23 per cent

If the company succeeds, it will have raised more than £10bn in loans and equity since it was created in 1986, far more than has ever been raised by any other private sector infrastructure project.

Funds started to disappear into the black hole under the channel in September 1986, when £46m of seedcorn equity was provided by five banks – Banque Nationale de Paris, Crédit Lyonnais, Banque Indosuez, National Westminster and Midland – and the Transmanche Link Anglo-French construction consortium.

The following month, a further £206m came from s placing of new shares with investment institutions. But the big fund-raising exercise was in the the following year, when a £5bn loan facility was raised from more than 200 international banks and £770m in equity came from a share sale involving public offers in the UK and France and placings elsewhere.

However, not long after the money was raised, the company became aware that construction costs were spiralling out of control – and that the construction contract was far too kind to TML, the contractors. Under the contract, the lion's share of the cost increases fell on Eurotunnel rather than on TML. Eurotunnel needed to enlarge its banking facilities and raise additional equity. But the banks would not even let it continue drawing on the original £5bn facility without a renegotiation of the TML contract, to ensure a more equable distribution of the cost over-runs between the company and its contractors.

The new contract with TML was finally signed on February 22, 1990, only hours before the receivers would have needed to be called in. But though Eurotunnel was given permission by its banks to continue drawing on its loan facilities, its financial problems were only just beginning.

Its estimate of the construction costs it had to carry – as opposed to those faced by TML – had increased 46 per cent since 1987. Including financing charges and central overheads, it now estimated it needed £7.6bn in cash resources to finish the tunnel and operate shuttle and train services till they started to break even.

However, it only had £6bn in loans and equity. So it spent most of 1990, trying to persuads banks to provide £2bn of additional facilities, prior to obtaining £566m from a rights issue. Though this appeared to be more than it needed, the company wanted a cushion to prevent any further cash crises from any future cost over-runs.

Anglo-French agreement on the tunnel in 1987: former British prime minister Mrs Margaret Thatcher welcomed by French President François Mitterrand at the Elysée Palace *Reuter picture*

The banks were not enthusiastic to provide more. There was a worldwide recession in the banking industry. Big international banks were short of capital and were reluctant to make substantial new loans to any customer, however strong – and Eurotunnel was not at the time an unblemished credit. Eurotunnel had by that time only drawn around a fifth of the £5bn original facility. So some banks argued that if it was put into receivership at this stage, their losses would be limited. On the other hand, they argued that the losses could be huge if Eurotunnel was allowed to continue drawing on this original facility and was also given £2bn more but subsequently ran into further difficulties.

In the face of such hostility, the group'e four leading or agent banks – National Westminster and Midland of the UK, Crédit Lyonnais and Banque Nationale de Paris of France – agreed to try to raise the money from the syndicate.

In mid-August, periIously close to a dsadline which had besn fixed so that the crucial rights issue could go ahead in the autumn, 93 banks were still declining to provide their share nf the new money.

The need for new loans and equity stems mainly from the delays in the opening schedule

Most reluctant were the Japanese banks, some of which had backed Eurotunnel in the mistaken belief that the British and French government would bail it out if lt ran into difficulties.

However, after Mrs Thatcher's letter to Mr Kaifu, the Japanese Ministry of Finance summoned the main Japanese bank lenders to a meeting. In the snd, they agreed to provide their share of the new funds.

The final amount of the increase in the facility was £1.8bn, or £200m less than Eurntunnel wanted. But the company secured a further £300m loan from the European Investment Bank.

However, since then Eurotunnel's need for capltal has increased yet again. Part of the reason is that construction costs have risen even more. But the requirement for new loans and equity stems mainly from the delays in the opening schedule and the elow build-up of passenger services – which means that Eurotunnel will start to generate revenues far later than lt originally hoped.

It is now trying to persuade its banks to provide around £650m from a new class of senior bank debt, prior to a £650m rights issue in late May.

The new debt would rank ahead nf the existing bank loans in a winding up. It is also scheduled to be repaid in epproximately 10 years, compared with the 2010 repayment date of the existing debt.

But unlike the 1990 refinancing, the company has recognised that it will not be able to persuade all its banks to contribute to the new loan. In particular, lt is not expecting the Jepanese banks tn participate fully in the new loan. Banks' participation in the new credit line will be at their discretion and not a fixed proportion of their existing exposure, as was the case in 1990.

Nonetheless, Eurotunnel needs the Japanese banks to vote in favour of the reconstruction proposal, because 90 per cent approval of bank creditors is required for it to go ahead.

Bankers say that some banks – including the Japanese – may be reluctant to back the plan, since their existing debt would be placed second in the creditors' rankings by the issue of new senior debt.

■ **Profile:** Graham Corbett, Eurotunnel's finance director

A financial bed of nails

Joining Eurotunnel in 1987 was supposed to represent a prestigious but not too onerous *dénouement* to a distinguished accountancy career for Graham Corbett, the channel tunnel group's chief financial officer.

Only a year earlier, as senior partner of Peat Marwick'a continental European firm based in Paris, he had been musing to his wife that a move to Eurotunnel, then in lts infancy, would represent his ideal career move – "the project [of building a tunnel link between England and France] was always something I had believed in passionately," he says.

'Graham Corbett – he has been a rock,' comments a banker

So it seemed too good to be true when Sir Alastair Morton, Eurotunnel's co-chairman, offered him the position, following up a suggestion from the Bank of England. After a morning of negotiations Mr Corbett agreed to take a four-day-per-week contract lasting 18 months.

In the event, his working week has typically been 80 hours or more – including a regular Sunday afternoon brainstorming session with Sir Alastair – as Mr Corbett has played the vital though exhausting role of protecting the interests of the group's shareholders while the company has lurched from one financial crisis to the next.

"I suspect my contract still says four days a week", he says nostalgically. "I haven't had the time to examine it for some while."

He is an avid city-hopper, going from emergency bank meeting to emergency bank meeting, propelling himself phlegmatically on crutches and seemingly untroubled by leg braces which resemble Victorian instruments of torture.

When representatives of the group's 200 banks are asked who have played important roles in keeping the group afloat despite its remarkable vicissitudes, Mr Corbett is almost always cited.

"He has been a rock," comments a banker, who recalls ruefully that Mr Corbett has not given an inch when convinced that banks have demanded too high a price for supplying new funds – "no, we have not always seen eye to eye," the banker says. Howaver, the job almost became one of the shortest on record – "I arrived a week after Black Monday" [in October 1987, when the stock market crashed], Mr Corbett recalls. "That was two weeks before 'equity three,' [Eurotunnel's code name for its third share sale, to raise £770m needsd before tunnelling could start]."

In the light of the stock market's volatility – and the enormous losses made by underwriters on ths British Petroleum share sale – there was concern that Eurotunnel would be unable to underwrite its share issue and thus that the project would be stillborn.

However, the company just succeeded, thanks to the combined marketing skills of 13 French and British securities bouses. For the first and last time, Mr Corbett had to sit on the sidelines and watch while the City decided Eurotunnel's fate. However, in Eurotunnel's two subsequent refinancings, Mr Corbett has been a leading protagonist. In the first refinancing, Mr Corbett knowe better than anyone how close the group came to bankruptcy.

Graham Corbett has played a vital though exhausting role

"In early 1990 we were down to our last £1m," he says. For a group which will have consumed £10bn in debt and equity by the tims normal passenger services are being provided, that was tantamount to insolvency.

The costs of building the tunnel had been escalating sharply. However, Eurotunnel had thought in early January 1990 that it had persuaded Transmanche Link, the consortium of contractors working on the project, to take a greater share of the cost over-runs.

But until this new contract with TML was signed, Eurotunnel's banks refused to allow the company to draw any further funds. Giving no explanation, TML simply refused to sign. By February 20, Mr Corbett was forced to contemplate calling in the receivers.

In due course, however – and following the intervention of the Governor of the Bank of England, Robin Leigh-Pemberton, now Lord Kingsdown – TML signed and Eurotunnel was given access to its bank facilities again.

After a nerve-wracking summer of that year – during which lt appeared that some banks would block a much-needed increase in lts banking facilities – Eurotunnel secured access to a further £1.8bn of commercial bank loans, a £300m loan from the European Investment Bank and £566m from a rights issue.

Having pulled that one off, Eurotunnel and Mr Corbett are hopeful they can raise £1.3bn in debt and equity in a second refinancing taking place at the moment.

However, being Eurotunnel's finance director is probably the corporate equivalent of appearing on Friday the Thirteenth – just as one horror is out-manoeuvred, another pops out nf the black hole.

Robert Peston

UK regions: Wales and the west

For now, a bridge too far

Travellera emerging ln England from the Channel tunnel will be greeted by a billboard extolling, in three languages, the virtues of holidays in Wales.

"We are seeing the tunnel as an opportunity," says Wales Tourist Board, which has booked the billboard for three years.

The board's direct response to the tunnel's opening is unusnal ln Wales and sonth-west England, where in general there is a "wait and see" attitnde. As with tourism, it is hard to qnantify in advance whether business will gain from the tunnel or lose because other regions have better links.

For its part, West Country Tourist Board believes its greatest risk is the potential loss of short-break holidays by people in south-east England for whom the tunnel will have novelty value.

"We hope they realise that they will arrive in a particularly nnattractive part of northern France," saya the board, optimistically. It has stepped np its own promotion in northern Enropean markets.

Desplte concern that inadequacies in the transport infrastructure could put the regions at a disadvantage, the tunnel ls expected to have little immediate impact on commercial activity. Mr Pat Lee, vice-chairman nf ths sonth-west Confederatlon of Brltlsh Industry and a director of Wincanton Distribntion Services in Wiltshire, says: "I believe most truck companles here will continue to use the ferries, although lt could be attractlve to time-critical freight such as food."

Mr John Savage, chief executive of Brtstol Chamber of Commerce and Initiative, says: "I believe the potential for the tunnel to greatly affect local business is very limited." And Mr Graham Hall, director of Wales Chamber of Commerce and Industry, comments: "We'rs waiting and watching – no one is intending to leap into contractual arrangements simply because the tunnel is open. If and when there are straight through rail services, it may make a difference."

In Wales and south-west England, there is a 'wait and see' attitude

British Rail's only European intermodal terminal tn the two regions will be at Cardiff, one of nine in the UK which will be able to transfer containers and swap bodies between road and rail. But freight services will be demand driven.

The south-west believes the lack of its own freight terminal places it at a disadvantage, although rail only accounts for 3 per cent of freight movements in the region. There is little incentive to use the Cardiff terminal: apart from the long distances to it from mnch of the south-west, hanliers face high bridge tolls to cross the Severn.

For these hauliers, a better location would be Avonmonth near Bristol, next to a thriving port, the M4 and M5 motorways and the new Severn crossing under construction. RTZ, the mining gronp, bas made a planning application for a private intermodal rail terminal on its land there and is forming a consortium with potential users. For passenger rail services, Cardiff will be linked from October via Bristol Parkway to London's Waterloo station to connect with the tunnel. A new regional service will run from Carmarthen in west Wales via Bristol Temple Meads and Bath to Waterloo.

The tunnel has increased the pressure for the main lines to sonth Wales and the sonth-west to be electrified, although there is little prospect of this for many years. "Business believes the electrification of at least one route to the far sonth-west must be a priority, if full value is to be obtained from the Channel tunnel and in particular if the region is to attract inward investment," the sonth-west CBI said ln response to the Department of the Environment's draft planning guidance for the region.

The Sonth West Regional Planning Conference is also pressing for the electrification of the main rontes, and for investment in the road network. Like the CBI, it wants an upgraded south coast road to provide a cholce of rontes for the south-west. The CBI conslder this "essential" to west country business in vlew of the likely additional traffic generated by the tunnel on the M4 and M5.

The Road Haulage Association in Bristol agrees on the need to npgrade roads – "our problems are getting out of the district, rather than to the Channel tunnel." In particular, better north-sonth roads are wanted to the expanding port of Poole in Dorset, although plans are meeting environmental objections.

From Poole, Brittany Ferries starts a new service to St Malo on May 13 – "we think our west channel rontes offsr the only real alternative to the tunnel," says the company, which is carrying annually 2.8m passengers, 746,000 cars and 177,000 trucks on lts rontes from Poole, Portsmouth and Plymouth.

Roland Adburgham

Northern England views Humber ports as more important, writes **Ian Hamilton Fazey**

A different perspective

There is marksd ambivalence about the Channel Tunnel in northern England. At best it is seen as an additional and complementary piece nf infrastructure for industry and commerce, but not as a substitute because it will be inconvenient for much existing trade – and too small.

Mr Peter Lee, one of a long line of Sheffield steelmakers and this year's chairman of the Yorkshire and Humberside CBI regional council, says the Channel Tunnel is "very exciting", but is not as important to the north as the Humber estuary.

"The Channel Tunnel will actually handle only about one-tenth of the freight which passes through the Humber ports and their volume is growing by more than that every year," he told the regional CBI's annual dinner last month.

Mr Lee sees Humberside – which the CBI wants retained as a single economic unit, not split into two in local government reorganisation – as a "vital component" in northern Europe's east-west corridor.

Goods move along tbis corridor between North America, Ireland, north-west England and Yorkshire and Humberside, while industry in the conurbations clustered around the M62 – the main transport artery – has increasingly been growing stronger because of it, driving the northern England economy.

Manchester Airport – which is now challenging Copenhagen for seventh place in the European size league – is another central element in the existing infrastructure. Mr Jlm McInstry, shortly before retiring as chief executive of Blackburn cbamber of commerce, said its proposed second runway is more important to the regional economy than the Channel Tunnel. Many oorthern business leaders share his view.

In all the arguments about the Tunnel's potential, however, it is important not to compare apples with pears. The critical factors are which goods are being shifted and how far they are going.

The old argument about road versus rail is that rail carries things from point to point, while road carries them where people want them to go. Rail is fine for bulk items assembled or broken up at nodal points which are far apart, hut road is best for single loads where delivery distances are under 400 miles.

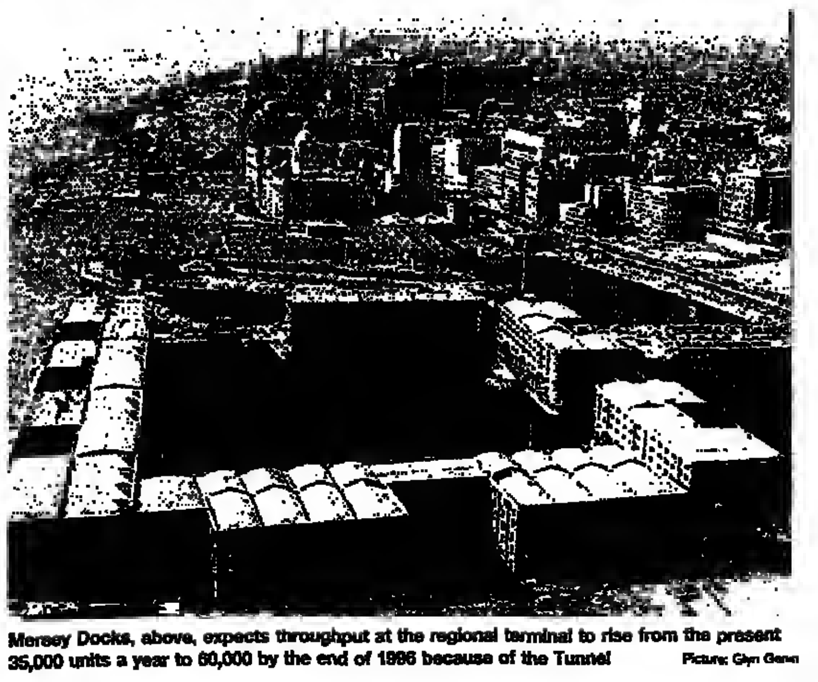
The growth of the Humber ports has been partly on the back of road haulage. The UK motorway network puts the bulk of Britain from the Midlands northwards within half a day's tachograph limits.

A similar argument applies across the North Sea at the Humber's main trading port of Rotterdam, with the Ruhr little more than three hours distant.

Last year, the Humber's ports and river wharves shifted more than 60m tonnes of cargo. This was more than the Thames and made the Humber Britain's busiest estuary. While only about a quarter of this was the sort of unitised freight the Tunnel will carry, 15m tonnes will be Tunnel's eventual maximum – and that not for several years.

Nevertheless, regional Britain is largely ready for the Tunnel in terminals, of which 11 have been constructed or are planned. The north has four ready: Liverpool docks, Trafford Park and Guide Bridge – one each side of Greater Manchester – and Doncaster in South Yorkshire. Another is planned for Wakefield ln West Yorkshire.

These promise to get freight to Brussels or Paris in 15 hours, Stuttgart in 28, Bordeaux in 29, Milan in 36, Vienna in 38 and Madrid in 65 hours. However, these times are from terminal to terminal, not from door to door.



Mersey Docks, above, expects throughput at the regional terminal to rise from the present 35,000 units a year to 60,000 by the end of 1996 because of the Tunnel *Picture: Glyn Genn*

This is where road hauliers believe they will always score, say, shifting single loads regularly by Humber ferry between Bradford to Wuppertal between 6pm one day and 11am the next. New high-speed ferries and a floating ro-ro landing stage in the Humber havs started operating this year to develop the market faster.

They believs the Tunnel stands to score on regular shipments of such things as large numbers of engineering components, or long distance regular bulk shipments of high value added goods such as whisky, or perishable products such as chilled convenience food.

It should also do well out of the only fully inter-modal regional terminal, which ls in Liverpool docks. This already shifts containers straight off ships to trains. The Tunnel should make trade between southern Europe and North America – and intra-European trade with Ireland north and south – easier, with England forming a railway land-bridge between Liverpool and the Tunnel.

Mersey Docks and Harbour Company already runs a railway land-bridge operation from the terminal, via Harwich in East Anglia and Zeebrugge in Belgium. It expects the terminal's throughput to rise from its present 35,000 units a year to 60,000 by the end of 1996 because of the Tunnel.

There remains one difficult problem for all the northern terminals, however – the state of Britain's railway lines. The west coast main line, which will serve the terminals in Manchester, Merseyside and Lanarkshire is in urgent need of modernisation, with no sign yet of how and when the work will be done.

The government hopes it will be through its private sector initiative in partnership with civil engineering and construction companles, but this is years away – and there are no nffers yet from the private sector.

Ayes and Noes from Victoria to Thatcher

Punch, 1883

Queen Victoria:
Tell the French engineer that if he can accomplish it I will give him my blessing in my own name and in the name of all the ladies of England (1858).

Napoleon III:
The tunnel is one of the great things we can do together (1856).

Lord Randolph Churchill:
The reputation of England has hitherto depended on her being, as it were, virgo intacta (1889).

Lord Palmerston:
What! You ask us to contribute to a work the object of which is to shorten a distance we find already too short! (1856).

Sir Arthur Conan Doyle:
The strong fortress of the Middle Ages had a passage under the moat as part of the defence. This tunnel is our passage (1913).

Marshal Foch:
Had there been a tunnel under the Channel during the Great War it would have shortend the conflict by two years (1924).

H.G. Wells:
I have never been able to imagine any harm or danger in the Channel Tunnel that would weigh for a moment against its enormous benefits (1924).

Harold Macmillan:
The Government would object scarcely at all on military grounds (1955).

François Mitterrand:
There is no going back on this. The Channel Tunnel will become to school-children part of the geological scenery of our planet (1986).

Margaret Thatcher:
When it is finished it will be so popular we shall jolly well have to build another one (1986).
The users of the new line should pay the full costs, including environmental costs (1989).

Winston Churchill:
A tunnel would be no strategic danger... and if it existed and could be kept open it might prove an invaluable aid to our safety (1936).

Waiting to move: a tourist section of the Shuttle Picture: Q.A. Photos

Maurice Druon, veteran French writer and politician, calls for a new intimacy in UK-French relations

Much more than a physical union

When Nero began digging the Corinth Canal with s golden spade and Napoleon the Third, in a silken tent, inaugurated the Suez Canal, they opened new avenues between nations. Their feat went beyond the mere shortening of trade routes; they narrowed the gulf between cultures.

In presiding over the opening of the Tunnel, Queen Elizabeth II and President Francois Mitterrand will perform an act of parallel significance. Now it is not two seas which are being connected but two land masses, two countries.

This is a brilliant example of mankind's power over the elements. Equally remarkable is political will power that brought it about.

The idea of uniting French and British soil has a long history. The two lands were not always geographically separate. Some 10,000-12,000 years ago, there was no sea between them. People could walk across, although with frozen feet since this was the end of the last Ice Age.

Ten thousand years is an eternity in buman terms, but a very short time in the earth's history. Much nearer our time, some 3,000 years ago, France was already a transit route for commodities from Britain. Cornish tin was carried through Burgundy and down the Rhône Valley to be mingled with copper from Cyprus in the bronze foundries of Crete. What a feat of haulage! I am struck by it whenever I see a piece of ancient bronze.

The EU is not the first community to which wa have belonged. Caesar and Claudius shackled us with a first Treaty of Rome. It left us with our straight highways, our French legal system and the small red bricks of English villages.

The battle of Hastings was really only a family afffair between Norman cousins. Had it not been for Joan of Arc, Henry VI would have ruled from Paris and Britain would have been a French province.

For four and a half centuries France and England have quarreled like two country landowners. Our fence was s wall of water. We carried on our vendetta far and wide. We strove for mastery of Europe; we battled for our rival empires.

At the same time, we never ceased wooing and seducing each other, of dreaming about marriage, or at least of having an affair.

Montesquieu lectured ns about the political virtues of England. Hogarth's uncouth squires eventnally became refined by contact with French manners. Good British families ordered French governesses for their children. French families employed English nurses.

The French imported golf and whisky. The English imported the *jeu de paume*, and then re-exported it to France as tennis. The English taste for claret started with the Black Prince. It was followed by s weakness for champagne and cognac.

That cautious betrothal, the Entente Cordiale, was arranged 90 years ago, just in time for the two families to bear the burden of 1914-1918 together.

Trafalgar still stuck in the throats of the French and the Royal navies, with disastrous and tragic consequences in 1940. But there was also Free France and the Free French, and the debt they incurred to Britain, together with all Europe's *Resistance* fighters, for its stubborn, unflagging and matchless heroism.

It was indeed Winston Churchill and Charles de Gaulle, those arrogant, argumentative father figures, who arranged the marriage through their stormy, grudging respect for each other. Weddings between nations are not floral occasions. The contracts are sealed only after bitter discussions. And the boneymoons are spoiled by clouds and storms. But Churchill and de Gaulle contributed their lucid visions of the future.

We must ensure that Britain and France are at the forefront of a Europe of Nations and that we do not become submerged in it

Europe was beginning to take shape. The fixed link will be one of the jewels in Europe's crown, uniting its north and its south.

The idea of the Tunnel is two centuries old. Dozens of separate schemes have been proposed. Borings have been sunk and abandoned. But it proved harder to drill through psychological barriers than through the hardest rock strata.

A key date was November 17, 1973, when Georges Pompidou and Edward Heath signed the first treaty on the Tunnel. The mental gulf had been spanned – the land route between Great Britain and Europe had been agreed. The next milestone was July 29, 1987, when the final accord was ratified by the leaders of Britain and France.

One of the most important elements in this gigantic enterprise is that, over the years, so many individuals in France and Britain were committed to its fulfilment. Diplomats, financiers, industrialists, administrators, engineers, experts, technicians of all kinds, foremen and workmen – all pulled together to remove the obstacles encountered on their long road beneath the waves.

They exchanged their skills and their know-how; they became accustomed to each other's behaviour; they pooled their national assets.

I regret the choice of *"Le Shuttle"* as the official name of this new mode of transport. I would have preferred the words "shuttle" and "navette" to sit side by side like the heraldic arms of two families united by marriage.

I am told that "shuttle" was adopted to please the English. Is that true? Our cross-Channel cousins also collect foreign words. *Fowler's Modern English Usage* shows that, like us, they sometimes overdo it. Yet good and correct use of our languages is the best way to safeguard our joint civilisation.

The fixed link will encourage an exchange of lifestyle and patterns of thinking even more than the transfer of goods. In recent decades the French have adopted *Le weekend*, in deed as well as verbally. We used to attend Mass in our Sunday best. But the term *s'endimancher* has disappeared. Nowadays, a French middle class family spends Sunday in tweeds and corduroys and the Day of Rest goes on for two or even three days.

I would like the British to acquire some of our French attitudes towards intellectual pursuits, and to stop fighting shy of showing a little culture, since generally they are much more cultured and erudite than they pretend to be. Do they give this impression because of embarrassment – or mere stinginess? After all, it is by sharing one's own knowledge that one enriches others.

For their part, the Frencb need to emulate English people's innate feeling of superiority st simply being English and subjects of Her Majesty. What an asset in coping with life's surprises. "I did not fulfil my life's ambitions; I have a humdrum job; but yes I am English, a privilege whicb nothing can take from me..."

We should all have some of that pride and self-assurance, that certainty of one's own identity. Because, wherever we turn, the outlook is worrying. To the south of the Mediterranean, where we have some influence, we see unchecked population growth and seething hatreds. Africa, scourged by massacres, is disintegrating. Asia has become conscious of its size.

Germany is swelling and rediscovering its instinct for hegemony: it has discarded the pointed helmet but now wields the mighty Deutsche Mark. The Balkans are ablaze. Russia will somehow regain its power: in her tribulations she needs it, and bankers for it. And the United States, despite all its appearance of power, bas become a riven society.

France and Britain must be sure of themselves and their priorities. We must ensure that we are the vanguard of a Europe of Nations and that we are not submerged by it. Together we must weather the storms, of whicb we know nothing except that they are inevitable.

In this spirit, let us salute the fixed link as one of the greatest accomplishments of our age, as a bulwark and beacon of hope.

Translated by Maurice Samuelson

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Friday May 6 1994

Ripples in a haven of tranquillity

The island has had great success in obtaining funds from the European Union. But there are clouds on the horizon. Dominick Coyle and Peter Wise report

To its devoteas, who return again and again as long-stay tourists, Madeira is heaven, or at very least an acceptable proximity. To less frequent visitors, and to first-time arrivals, the island is still a haven of tranquillity in an axtremely agreeable year-round temperate climate.

The regulars, many of whom have spent their winters there for 20 years and more, tend to be what retail bankers love to call clients of high net worth, and they are prepared to pay for luxury. Others will settle for less luxurious four and three star hotel accommodation, itself none too cheap.

In a word, Madeira can be expensive for all visitors, but for companies setting np in free port operations there, it is one of the cheapest labour markets in Europe.

Madeira, an autonomous region of Portugal, nestles in the Atlantic off the African coast and almost 1,000km from Lisbon. An area of some 700 sq km – *not a great deal larger* than the Isle of Man – Madeira sits on top of an extinct volcano rising some four miles from the sea. It is the dominant part of the Madeiran archipelago, which includes the much smaller island of Porto Santo to the north and the uninhabited islands of Desertas and Selvagens.

The discovery of Madeira in 1419 by the Portuguese explorer, Joao Goncalves Zarco, was almost a chance event since, like his successor, Christopher Columbus, he thought he was on a different navigational voyage. Claiming it for *Prince Henry* the Navigator, he named his discovery, *A ilha de madeira* (the wooded isle), and the name took root.

KEY FACTS

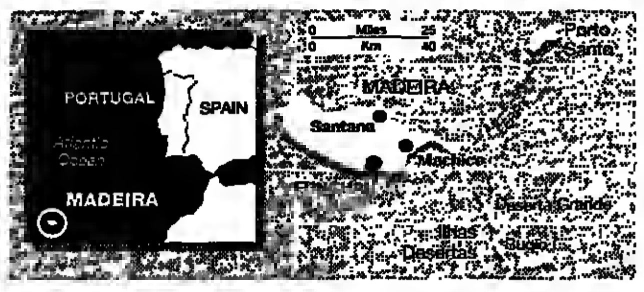
Area .... 741 sq km
Madeira was made an autonomous region of Portugal in 1978 with independent legislative and executive powers except in the areas of defence, diplomacy, currency and taxation.
Capital .... Funchal
Location .... Atlantic Ocean, 978km southwest of Lisbon, 600km west of Morocco. One and half hours' flying time from Lisbon
Highest mountain .... Pico Ruivo (1,860m)
Population .... 253,045, of whom about 46% work. Services employs 51.9% of the working population, industry 33.8% and agriculture 14.3%
Unemployment .... 4.4% (March 1994)
Politics .... the centre-right Social Democrats have held an absolute majority in the regional parliament since it was created in 1978
President of the regional government .... Alberto Joao Jardim, re-elected to a fourth consecutive four-year term in 1992
Language .... Portuguese
Religion .... predominantly Roman Catholic
Climate .... warm summers, mild winters, moderate rainfall
Temperature .... average minimum 16 degrees, average maximum 22 degrees
Currency .... Portuguese escudo
Economy .... tourism, civil construction, embroidery, tapestry, wickerwork, wine, flowers, bananas and tropical fruits, fishing
GDP growth in 1993 .... +6% (forecast)
Inflation 1993 (consumer price index) 6.5%
1994 regional budget income Es72.9bn

(An island legend that Madeira was discovered almost 75 years earlier by an Englishman, one Robert Machim, said to have been shipwrecked there with his mistress, contains more romance but, apparently, less historical accuracy. It is still touted by souvenir sellers in the capital, Funchal.)

Madeira's international airport near Santa Cruz is well to the north-east of Funchal, and the landing there is no great joy, for passengers and pilots alike. The runway rests deep between two mountain ridges which can *generate alarming* cross-currents. Fortunately, the island's charms and its spectacular scenery quickly reduce the pulse rate of new arrivals, and a glass or two of Madeira wine can soon complete the process.

But the airport is a problem, and according to Mr Alberto Joao Jardim, the colourful president of the regional government since 1978, its planned expansion by some 500 metres on stilts out into the Atlantic, coupled with a two degree realignment of tha existing runway "is the key to the development of the Madeiran economy". It will cost an estimated Es60bn (£233m), some *two-thirds of the cost* being met by the European Union. But it will allow widebody aircraft to land and considerably reduce transportation costs – for both passengers and freight.

The marina and port, viewed from the bay at Funchal, the island's capital — Mike Arron



In fact, Brussels has been a veritabla breadbasket for Madeira in recent years, ever since Portugal joined what was then the European Economic Community in 1986. As one of Europe's most deprived regions, and allowing for the additional economic disadvantages of its island status, Madeira has been raking in EU money under its regional, structural, training and any other fund for which Brussels can be *tapped. Even his detractors* on the island acknowledge that when it comes to extracting money from the EU, Mr Jardim is a past master.

The signs of this largesse are everywhere. Virtually all major infrastructural developments carry the 12 gold stars against the European blue background, proclaiming who is really paying the piper. The internal debate, and it is considerable, is not about getting Brussels money, but on how it should be spent. The Jardim regime says it should go on more and better roads, new hospitals and education. Its critics would like more of the EU support to go towards *modernising industry and in* developing tourism.

Mr Antonio J. Trindade, a hotelier and head of the tourism section of Madeira's chamber of commerce, believes there should be a better relationship between the regional government and the industrial and services sectors, and a more even distribution of the cash cow from Brussels. Other critics think that new highways are important for opening up mucb of the island outside *Funchal to tourist* development, but they ask rhetorically whether getting from A to B five minutes faster on a small island amounts to a great economic achievement or the best use of resources.

Mr Jardim will have none of this, claiming that his critics are the few remaining big landowners and some long-established British families, whom he seems to view as a somewhat lower order than the natives, or the small farmers who are seeking subsidies "but who just want to spend it in the tavern". All are agreed on one thing: as long as Brussels *will pay, let us get as much as* possible.

Madeira has definitely benefited from tbe subventions from Brussels. In tbe mid-1970s, the island's *per capita* income was less than one quarter of the European average; today it is close to half, and not all that much behind that of Portugal itself. The Lisbon government bas been generous to the island whose population of around 254,000 is less than 3 per cent of Portugal's. Never*theless, Madeira is getting* some 6 per cent of all EU support going to Lisbon. The fact that the political structure of Mr Jardim's regional government mirrors that of the ruling centre-right Social Democratic Party on the mainland may also bave helped.

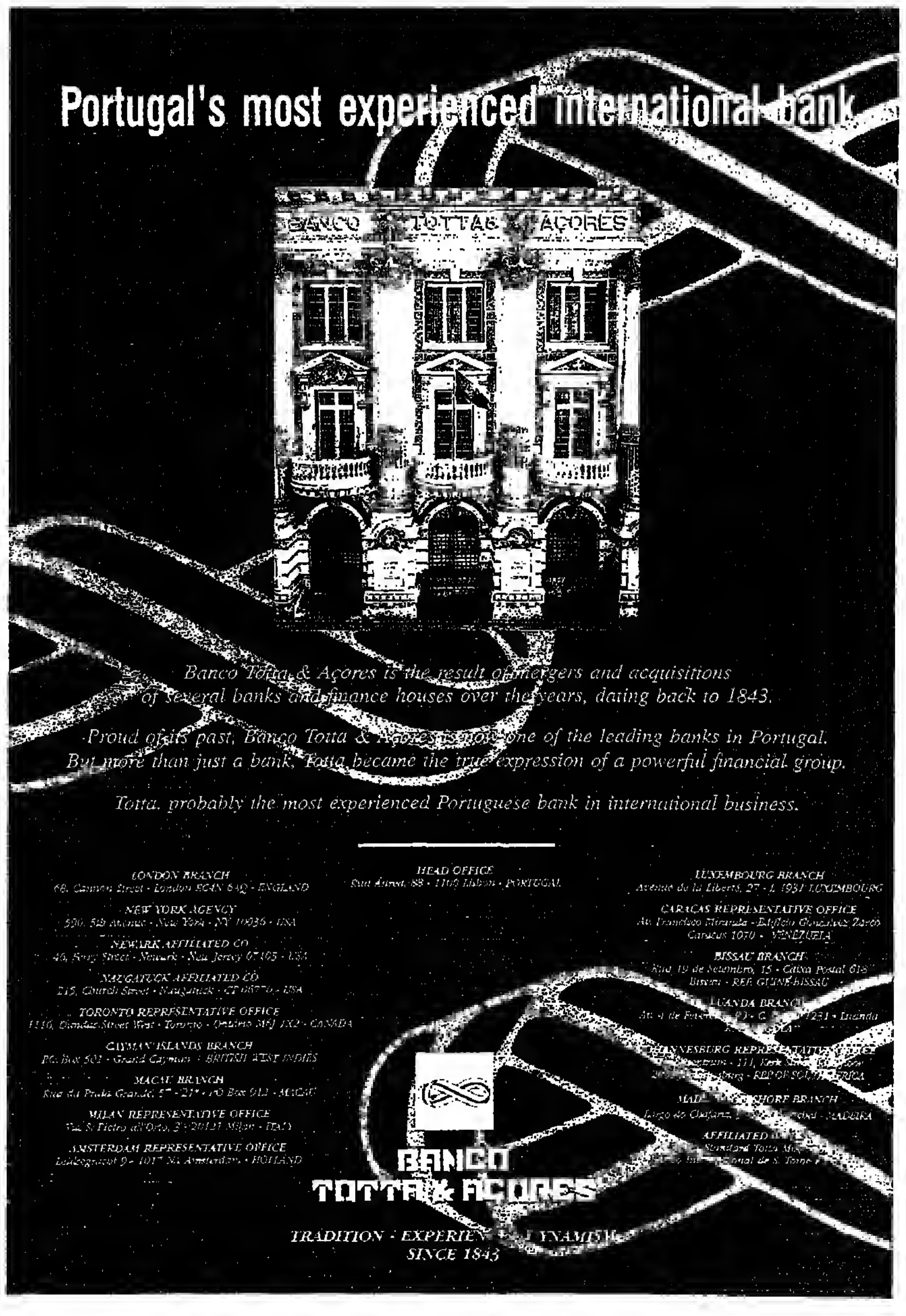
Impressive infrastructural developments apart, EU funds have assisted in the establisbment of the main activities now being co-ordinated by the Madeira Development Company. These include an industrial free trade zone, an offshore financial centre, an international services facility *and a new shipping register.*

An extensive range of attractive tax and support concessions through to the year 2011, provided under Lisbon legislation and approved by the European *Commission, is the magnet* to attract new industry, banking and related financial services. In essence, tbe industrial free trade zone is the regional government's main instrument for creating jobs, not just for the existing unemployed (under 5 per cent of the island's workforce), but for the thousands more wbo are underemployed in the declining agricultural sector.

It is early days yet, and the development company's promotional activities have been held back by the slow progress of the enabling legislation through the Lisbon parliament, but tbe initial signs are encouraging. Add in the sizeable revenues from the tourism sector, despite two poor years since the 1991 peak, and the island's economic performance is impressive. Provisional figures estimate last year's growth at around 6 per cent, compared with a sharp recession in Portugal itself.

On Madeira bow the regional government allocates the funds from both Lisbon and Brussels is inevitably the main driving force in the economy, together of course with the dynamics of the tourist industry. The immediate outlook is positive, but there are some in Funchal wbo *see a possible dark* cloud on the horizon, although the majority view is that their forecast is too pessimistic. It touches on South Africa after *last month's general elections.*

Folk of Madeira origin, either born there or first-generation settlers in South Africa, are estimated to outnumber the entire population of the island by two to one. What if they were all to come back, or even some of them, many of whom would almost certainly be of the older generation? Sucb an influx would produce extraordinary economic and social strains, but the signs are that preliminary planning by South African Madeirans is focused more on Canada and Australia than on their original homeland. Madeira is keep*ing its fingers crossed,* although it is known that the Lisbon government has made contingency plans, just in case.



A backward region of a backward country: **Peter Wise** on the economy

EU funds pay for roads

Viewed from some angles, Madeira appears to offer little hope of prosperity for its quarter of a million people. The leading manufacturing industry is embroidery. The island imports 85 per cent of all it consumes. Export markets can he half an ocean away. A sixth of the workforce farms terraced plots not much bigger than a couple of tablecloths.

But economic weaknesses are negotiating strengths when it comes to securing aid from the European Union. EU funds currently account for a third of the region's income and are the driving force behind an economy where output rose by an estimated 6 per cent in 1993, while mainland Portugal suffered recession. Construction companies are benefiting from an extensive infrastructure programme.

Tourism is another promising sector, representing 20 per cent of gross regional product and employing 9 per cent of a working population of 118,000. Operators differ over which niche Madeira should aim at within the higher-income bracket of the tourism market; but they agree that prospects are relatively hright both for earnings and jobs.

A third focus of development is the International Business Centre (IBC), whose tax exemptions represent another perk from the European Commission. However, its immediate impact on the economy is likely to be limited considering that the free-trade industrial zone will employ only 3,000 people – 2.5 per cent of the workforce – when all the projects currently in the pipeline are operating. Nor does much of the money that moves through offshore financial and services companies stay in Madeira.

As a backward region of a backward country, Madeira has qualified for a substantial inflow of European funds since Portugal joined what is now the European Union in 1986. The Lisbon government raises no objection to allocating Madeira between 5 and 7 per cent of its EU aid, although the island accounts for only 2.5 per cent of the population.

"We could never catch up with the rest of the country if we received any less," says Mr Alberto Joao Jardim, president of the regional government since 1978. "The central government has given Madeira the fullest support in our negotiations with Brussels and never complained that we were getting more than our fair share." He acknowledges that being a stronghold of the centre-right Social Democrats, also the governing party in Lishon, has helped the island win favour with the central administration.

GDP per capita was 24% of Europe's average in 1976; now it is near 45%

Madeira is due to receive about Es200hn in EU funds from 1994 to 1999, double the amount transferred during the previous five years. Lisbon also supplies about 10 per cent of regional budget spending out of the central budget. This is to compensate for the duty the island loses on goods imported into mainland Portugal hut consumed in Madeira and for the corporate tax paid by companies operating in the island whose consolidated profits are taxed in Lisbon. In effect, Lisbon covers the cost of servicing Madeira's Es100bn public debt.


Machico, a fishing village: will European funds help it catch up? Mike Ayres

Statistics testify to the development that these funds and a central government guarantee enabling Madeira to run up deht have hrought to the island. Madeira's GDP per capita was 24 per cent of the European average in 1976; it is now close to 45 per cent. The figure for Portugal as a whole is 58 per cent. Emigration, once the only hope of affluence for the island's workers, has fallen to a trickle. Over the same period the uumber of doctors has increased threefold, the infant mortality rate has heen cut from 75 to 12 per 1,000 hirths and six times as many children receive secondary school education.

Most money is being spent on infrastructure. New roads sweep across the island, cutting through the precipitous volcanic terrain by tunnel and viaduct. "Where do the peopla go on all these roads?" Mr Anihal Cavaco Silva, Portugal's prime minister, is reputed to have asked during a recent visit to the island, which is only 61km long and 25km wide.

Almost 200km of new roads have been built over the past 18 years, cement consumption has increased fivefold and construction companies employ 13 per cent of the workforce. But critics question the wisdom of pouring so much cash into concrete and tarmac.

"Farmers must cultivate profitable crops, not cabbages and potatoes"

"Tha regional government has made itself popular by building impressive infrastructures but what is going to happen when the money from Europe stops flowing?" asks Mr Jose Carlos Mota Torres, leader of the opposition Socialists, who have 12 seats in the 57-member regional parliament compared with the Social Democrats' 39 seats.

The Socialists argue, as do some businessmen, that a bigger share of the EU money should be allocated to the private sector in the form of investment incentives. "This would help create an economy that would be able to stand on its own in the future without subsidies from Brussels," says one Madeira economist.

"The people who make these kinds of criticisms were born with a silver spoon in their mouths," argues Mr Jardim in his usual forthright styla. "When thay say incentives they mean subsidies. They don't know how to make a profit in a market economy. But I'm not going to halp them." Building roads, schools and hospitals improves the quality of life for everyone, he says. The voters who have elected him with an absolute majority in four successive elections so far appear to agree.

Mr Jardim adopts the same tough-mindad approach towards reforming agriculture, which provides little more than a subsistence living for 15 per cent of the workforce. "There is no future for agriculture in Madeira unless people cultivate profitable crops such as tropical fruit and flowers. But many farmers still insist on growing cabbages and potatoes," he says. The government provides fruit tree seedlings and flowers for farmers who want to adapt. "But I'll never give them money," says Mr Jardim, "they'd just spend it in the tavern."

One planned infrastructure investment is causing little controversy. The regional government will spend ahout Es60bn, of which the EU will provide two-thirds, to extend Madeira'e airport runway by 500 metres. This will enable tourism operators to bring in larger aircraft and lower the cost of transporting cargo, which currently has to compete with passengers for expensive and limited space. Not least, the extension, involving a realignment of the runway, should make landing on the island a less alarming experience.

Dominick Coyle on progress at the industrial free trade zone

Asia and Brazil targeted

According to Mr Alberto Joao Jardim, president of the regional government, Madeira has a current unemployment rate of around 4 per cent. But definitions are important. It may well be that only four in every 100 of the island's estimated total workforce of more than 118,000 have no joh, hut that does not cover people in training for johs which may not be there, and certainly does not include the considerable underemployment in the declining agricultural sector.

Getting on for one-fifth of Madeira's labour force is engaged in agriculture, most of them working minuscule plots for mere subsistence. The traditional sugar industry is finished and banana growers are meeting tough competition from lower-priced producers elsewhere.

Madeira's traditional cottage industries of embroidery, tapestry and wickerwork are just that, painstakingly-made and beautiful products of family cottages or very small units with a predominant female workforce.

These underemployed, highly skilled workers, and many more equally skilled hut with no work, need jobs as the island's economy is transformed away from agriculture and towards industry and the services sector, most noticeably, of course, tourism.

An important role in this transformation, according to the regional government, will be played by the Madeira Development Company and, in particular, its Industrial Free Trade Zone. The magnet to attract companies to Madeira is a generous package of fiscal concessions, start-up grants and worker training subsidies all wrapped round the island's full membership of the European Union through the motherland, Portugal.

Container costs are high, but the new port will service the zone directly

Mr Jose Antonio Camara, who represents the regional government's 25 per cent stake in the Madeira development company, points to the island's full membership in, and consequent access to, the European Union as one of the zone's major attractions to non-EU companies seeking to manufacture for the European market, but he is by no means a one-ticket salesman.

The zone's other attractions, he emphasises, include the benefit of access to all douhle taxation treaties ratified by Portugal, total exemption from any form of taxation until the year 2011, potential benefits from various EU structural funds to help with financing projects and with the training of workers, a stable political system and an excellent year-round climate and, not unimportantly, low operational costs.

There are, he agrees, some drawbacks, not least transportation costs, since Madeira is an island out in the Atlantic almost 1,000km from the Portuguese coast. There are twice-weekly cargo sailings between Lisbon and Madeira, and less frequent services between the island and London, Rotterdam, Bremen, Antwerp, and also to New York, but container charges are high; the aim of Mr Camara and his team is to trim costs at the new port now being completed to service the freeport zone directly.

The industrial complex itself is located on a 130-hectare site at Canical on the eastern end of Madeira, some 8km from the international airport. It is securely fenced off and is being developed in stages.

Each site or unit has direct access to all basic infrastructure, including energy supply, telecommunications, water and sewerage, and the supporting port facilities include a terminal for discharging liquids and cereals by suction, together with berthing facilities for both general cargo and containers.

The initial development phase of the zone is now complete with 29 operating entities, while a further 12 companies are awaiting complation of their registration and licence procedures. Manufacturing and warehousing activities under way include clothing, computers, watch-making, paper products, tobacco, household appliances, optics, canning, jewellery and petroleum products.

One of the first companies to take up residence in the zone is a garments manufacturer. Sheenotto Industries is a Macau-Hong Kong joint venture, most of whose output is pre-sold to the US. Its resident director, Mr Rui Alberto Santos, himself a Madeiran, speaks glowingly of the skills and adaptability of local workers, many of whom came from the island's craft industries.

Sheenotto recruits are put through an intensiva eight-month training programme, the cost of which is grant-aided up to 50 per cent. On the completion of their training, workers do not have to pay any social security contributions until they are 22 years of age, although they are covered for benefits.

Local labour laws, which apply equally in the industrial zone, permit short-term labour contracts of six months' duration, renewable at the employer's option up to a limit of three years – after which workers are either made permanent, or are dismissed.

Mr Santos, whose company employs over 150 people, is impressed with the zone's facilities and with the enterprise and support of the development company, but like Mr Camara, he points to heavy shipping costs and says these will have to be reduced if the promotion of the zone is not to be undermined. His company currently exports through Funchal.

Promotion for the industrial zone is being narrowly targeted, not least because of a limited hudget, and the focus is very much on south-east Asia and on countries with which Portugal has traditional ties, including Brazil and South Africa, where the development company maintains offices or representative agents. Brazilian companies form a good slice of the initial tenants of the zone.

All tax concessions applicable within the legal framework of the International Business Centre, the umbrella organisation covering the industrial zona, the offshore financial centre and the international services division, also apply to the new International Shipping Register (MAR). Specifically, the crewe of MAR-registered vessels get their wages tax-exempt and are not subject to Portuguese social security deductions.

What is less specific are the prerequisites on crew nationality. The enabling legislation appears to be clear-cut: "The captain and 50 per cent of the crew of each registered ship should be citizens of any of the member-states of the European Union," itself a major concession hy the lahour unions which initially insisted on half of all crews being Portuguese nationals.

This dispute has held up the operational launch of MAR, but an uneasy compromise has been reached with the unions and Brussels. This gives MAR's Technical Commission flexibility in agreeing crew composition and nationality with vessel owners "under special circumstances".

However, owners of registered yachts have no restrictions on crews, but they do benefit from all the fiscal and other concessions on offer, including the absence of any exchange controls. Overall, not a bad deal, and a great deal better than Portugal's traditional shipping register.

Relocating costs

Labour costs in Madeira vary according to industry, hut they are generally low hy European Union standards. Annual wages for unskilled labour are in the region of Es500,000 (£2,000), and roughly douhle for skilled workers. Most workers are covered hy employer-union labour agreements, but this is not a legal requirement.

Social costs are high. The employer's contribution is 24.5 per cent of basic salary, while the employee pays 11 per cent, hut there are concessions during training periods and for younger workers.

Overtime is usually payable at a rate of 150 per cent for the first hour, and 175 per cent thereafter. Overtime worked during rest days is douhle the basic salary.

There are some few variations on vacation periods, but employees generally are entitled to one month's holiday a year, plus some 14 additional days covering statutory holidays.

Residence permits for non-Portuguese employees are easily obtained, provided they come from other European Union countries, or are nationals of countries with which Portugal has close relations. These include the US, Brazil and Sweden.

Office reots: rates in Funchal range from Es15,000 to Es30,000 a square metre per annum, depending on location.

House rents: these again depend on location, monthly charges varying between Es100,000 and Es150,000. A large apartment in a prime site could run to Es200,000.

Buying a house: a four-bedroom apartment in e good location in Funchal could cost Es30m or more.

Dominick Coyle

Peter Wise and **Dominick Coyle** profile the regional president

Jardim is used to getting his own way

An 18th century Portuguese naval engineer's map of Maastricht, a town now symbolic of European integration, hangs in the office of Mr Alberto Joao Jardim, president of the regional government of Madeira, reflecting what he describes as his "European soul".

Two other plaques in the pink-walled villa of his official residence affirm character traits that critics say are more prevalant in the 51-year-old politician. One states simply: "J'ai toujours raison." The other, in English, asks: "Why argue? Just let me have my own way."

Mr Jardim has been getting his own way for a long time. He has headed the regional government since Madeira was made autonomous in 1978 and has won an overwhelming majority on the island for Portugal's centre-right Social Democratic Party (PSD) in 23 consecutive elections – local, regional, national and European.


Alberto Joao Jardim: has scored 23 consecutive election victories

Admirere deecrihe Mr Jardim as a forceful character who has been singularly successful in winning support from the European Union and the central government in Lisbon for an unparalleled period of development in Madeira. Critics brand him as little short of a dictator who has wielded the EU's largesse in a way largely designed to bolster his own power.

Mr Jardim acknowledges that his 16 years in office have placed a strain on the democratic system. "There is no doubt that a prolonged period in power carries risks and creates dependencies," he says. "Voters have to choose between the lesser of two evils: electing an alternative party whose policies they have no faith in or re-electing the same party knowing the dangers of protracted office."

He has not yet decided whether to stand for re-election to a fifth four-year term as regional president in 1996. Like many strong leaders, Mr Jardim's chief concern is to groom a successor who will not split his party into rival factions. Even opponents accept that he is more likely to lose his leadership as the result of a coup within the regional PSD than through an election victory by the Socialist party, which polls about 30 per cent of the vote.

Why has he enjoyed the overwhelming support of voters for so long? Certainly, he has charismatic appeal. During a recent carnival, he danced along the streets of Funchal dressed as a Zulu. He is known to break out into song during election addresses. "I'm a wag and a bon vioant by nature," he says, drawing on a Churchillian cigar. "But my behaviour is also didactic. Leaders on the mainland practise politics as if it were a Roman Catholic rite. I want to show young people that democracy is fun, natural and human."

People vote for him, he says, because he has improved the quality of life in Madeira and broken down a hierarchical society. A secondary-school teacher and part-time businessman who had taken 13 years to acquire a law degree, he came to the fore in Madeira after the 1974 revolution that restored democracy in Portugal; first as a journalist, then as the regional leader of the newly-formed PSD.

Mr Jardim first approved legislation providing low-interest credit for peasants to buy the land they worked. "A worker wasn't allowed past the kitchen of his boss and all hell was let loose if a poor boy wanted to marry a rich girl," he says. "All that has changed. Madeira is now predominantly lower middle class."

He is clearly not sorry that some English families may not be as prominent in Madeira's economy as they were before the revolution and shows considerably more enthusiasm for rich Madeirans from emigrant communitiea who have returned to the island to pursue their business careers.

Such criticisms would appear to sit ill with an English family snch as the Blandys, whose intereste In areas vital to Madeira's economy such as tourism and wine are being developed in a modern entreprenenrial spirit that must henefit the island. But Mr Jardim is firm – some would say stuhborn – in his convictions.

His main opposition, he says, is not the Socialist party but landowners and once-powerful economic groups resentful of the position and influence they have lost. He complains of systematic harrying from the Diario de Noticias of Funchal, the best-selling newspaper in Madeira, which is owned by the Blandy family. And he is not averse to banning journalists from the mainland at press conferences as "a legitimate protest against the lies they tell about me".

Among criticisms that those on the left level against Mr Jardim is that he stirs up popular prejudices of anti-communism and latent separatism. The first he readily admits to: "I am equally anti-communist and anti-fascist but I'm not anti-alcohol nor anti-women." The second he dismisses: "I'm as Portuguese as anyone from the mainland" – and considerahly more European, he claims, than many "provincial" and "old-fashioned imperialist" politicians in Lisbon.

Before the last regional elections in 1992, the Socialists raised charges of Mr Jardim's high-handed treatment of the opposition to the level of a national debate on an alleged "democratic daficit" in Madeira. But the PSD was re-elected with two-thirds of the vote. It was a "joke" that backfired on the Socialists, says Mr Jardim, because the people of Madeira "don't like to see their problems debated on the mainland".

One question on which Mr Jardim would have welcomed more debate from the mainland was the possibility of his standing against Mr Mario Soares when the Socialist leader was first alected as president of Portugal in 1986. Is Mr Jardim likely to be a candidate in the next presidential election in 1996?

"Portugal has invested a lot in me and I am ready to serve in whatever capacity my country chooses," he says. "But being a decorative figure like the Queen of England doesn't attract me. I like executive power."

Profile: DIONISIO PESTANA

Tentacles of a top hotelier

Dionisio Pestana is the acceptable face of capitalism in Madeira (though he does have a few detractors). He admits to working a 26-hour day, has no hohhies (since he gave up squash and tennis a few years ago), does not admit to being one of the richest men on the island – which he certainly is – and shows no signs of easing up in his myriad business activities. But theo, why should he: he is a mere 42 years of age?

First, a few business facts. The privately-owned Group Pestana, in effect controlled hy Dionisio, runs the largest hotel chain in Madeira, but not only that: it is the higgest hotel operator in mainland Portugal, with extensive properties in the Algarve, Estoril and Lisbon. In addition, the group is in effective control (the regional government has 25 per cent of the shareholding, but no blocking "golden share") of the Madeira Development Company, which runs the island's expanding free trade industrial zone, the offshore financial centre, the industrial services division and the international shipping register.

Mr Pestana also has an interest in a charter airline, owns travel agencies in a number of European centres, including Britain and Germany, and has even ventured into electricity generation hy buying in some windmills and associated expertise from Denmark, "because our group's electricity bills were getting too high". Overall, an extensive industrial and commercial portfolio, and Mr Pestana is not even a native son.

The foundations of the Pestana empire go back a bit, to his father, Mannel, who like thousands of his fellow-islanders left Madeira in the 1950s and 1960s in search of work and fortune. In those days, Madeira was slap-bang in the sealane from Britain to South Africa via the Cape Verde islands. Manuel took one of these passing ships to the Cape and soou built up a highly successful construction company in South Africa and Mozambique.

Dionisio is Manuel Pestana's only child. After university, where he took a husiness degree, the young Pestana went to Europe on a working vacation. Visiting his father's island homeland, he was encouraged by Manuel's dream of huilding a luxury hotel in

Continued on next page


Dionisio Pestana: bought windmills to save electricity

The island's offshore facilities cater mainly for serious investors, writes **Peter Wise**

The late starter has an advantage

Words like "haven" and "paradise" trip readily off the tongues of Madeira's tourism promoters but are strictly taboo to the advertisers of the island's offshore facilities. Madeira offers an international business centre with a special fiscal regime, they make clear, not any kind of refuge or sanctuary from the taxman.

Madeira's concern not to be dubbed a tax haven or a fiscal paradise is part of a wider effort to promote the offshore centre as being in the top tier of what officials prefer to call the world's fiscally privileged locations, attracting the serious, financially-aware investor rather than the lightweight, fly-by-night operator.

Born after a gestation period of almost a decade, the island's offshore financial and services centre offers some premium qualifications. Memhership of the European Union provides both regulatory guarantees and full integration with s pre-eminent market, including free circulation of goods and services and the right of establishment.

Madeira shares this status with only Ireland and Luxembourg, given that offshore centres in the Isle of Man, Gibraltar and the Channel Islands hang more tenuously to the EU by various differently-defined threads.

Secondly, Madeira's offshore centre forms an integral part of Portugal. Companies setting up on the island are governed hy the same corporate law and central hank regulations as their counterparts on the mainland and consequently enjoy the same guarantees of legal credibility and economic soundness.

"Companies in Madeira have to operate within an EU-wide regulatory and reporting framework," says Mr William Cunningham, a Lisbon-based partner with consultants Arthur Andersen. "Companies that don't like disclosing their accounts will not be attracted there. The island is developing as a base for legitimate international tax planning that can stand up to scrutiny."

The scope for sucb planning is considerahle. Offshore service companies and financial institutions in Madeira enjoy total exemption from taxes on profits and capital gains until the snd of 2011. Investors also benefit from total exchange freedom, including free repatriation of capital and profits, free transfers of funds used in commercial operations and complete freedom to import capital.

This looks attractive compared with a leading EU competitor for offshore banking operations such as Ireland. The corporate tax rate in Duhlin's offshore centre is 10 per cent, a partial tax holiday that runs out in 2005. Furthermore, new companies will not be allowed to set up there beyond the end of 1994. "Being a late starter is an advantage for Madeira in this respect," says Mr Cunningham, "if only because many companies will be shut out of Dublin."

Offshore service companies and financial institutions enjoy total exemption from taxes on profits and capital gains until the end of 2011. Investors also benefit from total exchange freedom

But analysts consider it unlikely that Brussels will allow one EU offshore zone to benefit from significantly greater tax advantages than anothsr for any considerable period. This means that the main competitive advantages of such centres will be weighed in terms of costs, efficiency, accessihility, target markets including the applicability of bilateral tax treaties, language and quality of life.

Madeira scores hlgh in terms of operating costs. Salaries, rents and real estate prices compare favourahly with other European locations. The island will become within easier reach after the airport runway is extended and is an inviting place to live. The question of target markets largely explains why all but one of the 27 banks and two insurance companies that have set up offshore operations in Madeira are Portuguese or branches of Portuguese subsidiaries of foreign institutions. The only exception is ABN-Amro Bank, which is nevertheless targeting onshore Portuguese clients.

"From Madeira we can provide all the services of an overseas hranch without the heavy costs of estahlishing a network abroad," says Mr Pedro Libano Monteiro, of Banco Comercial Portugues, the first bank to set up an offsbore brancb in Madeira in 1989. Banks made good use of the island hy lending to onsbore Portuguese companies at competitive rates, made possible because they did not have to pay withholding tax on ths interest. But tbe Lisbon authorities wrapped them across the knuckles in March 1993 by abolishing the exemption.

The central bank clarified the issue in January 1994 hy creating two types of offsbore banking branches. Exterior offshore branches (SFEs) can deal only with non-residents in Portugal and enjoy full tax exemption. International offsbore branches (SFIs) can deal with residents in Portugal. They have to pay the same tax as an onshore branch except that they can accept deposits from indlviduals non-resident in Portugal without having to withhold a 20 per cent tax on the interest.

Mr David Caldeira, head of the Madeira operations of Caixa Geral de Depositos, the only bank so far to open an SFI, says this can mean savings of 50 to 100 basis points on the cost of financing a foreign exchange loan to an onshore Portuguese company. Much of the private funding for offshore hank hranches comes from Brazilians who like to keep part of their savings abroad and are drawn to Madeira hy the affinities of language and culture.

Brazil is also one of the 12 countries that hsve double taxation sgreements with Portugal. Companies can use tbese to reduce withholding taxes on royalties, interest and dividends. But Portugal is one of the few countries whose roll of bilateral taxation agreements is, in fact, decreasing. Denmark unilaterally severed its agreement in January 1994 because it considered Danish investors were using the Madeira facilities to ahuse Danish tax law.

Other impediments that analysts say Madeira needs to iron out include minimum capital requirements that sre much higher than those of its main competitors; an obligation to draw up accounts in escudos showing exchange losses or gains that can be purely fictitious for service companies whose business is solely in dollars or another foreign currency; and the impossibility of setting up variahle capital companies by fund managers with varying numbers of subscribers.

Should the island stay exclusive or aim for the charter market? **Dominick Coyle** reports

The debate on tourist strategy

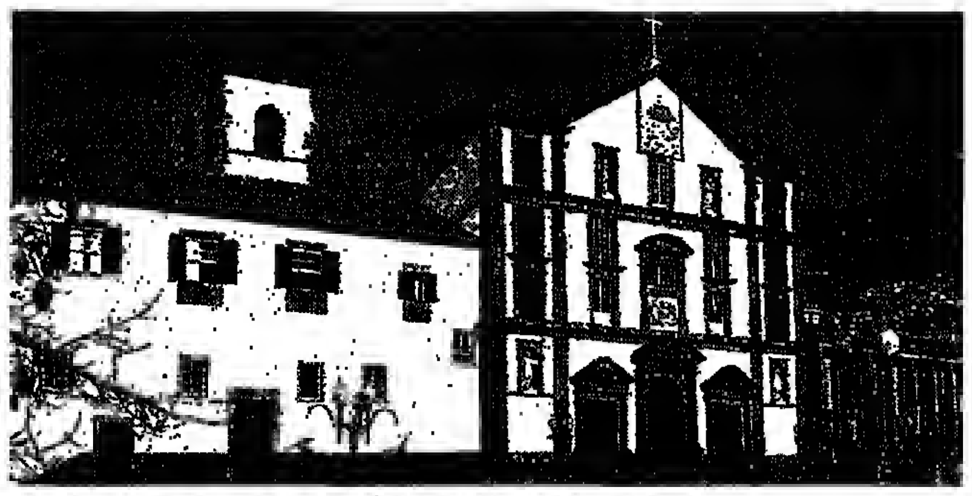
Two or three thoughts may strike the first-time visitor to Madeira on the 30km taxi ride to the island capital, Funchal, from the airport near Santa Cruz. The highway is impressively modern – thanks to generous support funds from the European Union – as it weaves through mountains and valleys, a countryside not unlike parts of southern Italy, even down to the terraced mini-vineyards.

And then there are the huildings, lots of new ones and more in the making, small hotels, large homes and the timeshare developments. An initial reflection: is planning getting out of control in Madeira, and is the traditional tranquillity of an island oasis favoured by the rich and famous (especially during the winter months) about to he ruined? On the flight back from Funchal to Lisbon on the Portuguese mainland, the thought persists, despite efforts by local officials who insist that planning is now well and truly under control.

The emphasis on "now" is important, for there is something like s consensus on the island, and particularly with most of the main players in the tourist industry, that things did get out of hand more than a little in recent years. There is just a suspicion that the long-established regional government had been rather flexible with the approval of planning permissions, sometimes it is claimed to local political and financial supporters.

The argument about the best tourism strategy for the island tends to be drawn in extremes, although in truth it is relative. Should Madeira remain an expensive quality market with top-class hotels and supporting facilities for the relative few who can afford them, or should it shift a little or even more downmarket to attract greater tourist numbers to somewhat more modest surroundings? Should the aim be the individual traveller or the charter market, albeit not on a mass scale, since the island's size and infrastructure could not cope with, say, Spanish-type numbers?

Group Pestana, Madeira's and Portugal's largest hotel cbain, is inclined to go for greater numbers: the English Blandy family, with extensive hotel, transportation and wine interests, wants to remain upmarket. Mr Antonio J. da Trindade, himself an hotelier and head of the tourist section of the Madeiran chamber of commerce, is somewhere in-between in the debate, although he is currently devsloping a new upmarket hotel project with the Blandys and some



A street scene in Funchal, the island's capital and the centre of the tourist industry

other local interests. Mrs Conceicao Almeida Estudante, the recently appolnted regional director of tourism, maintains a diplomatic silence on the debate, but she is aware of the issue.

The argument might not be all that important if tourism was a fringe activity, but it very definitely is not. Tourism is responsible for some 20 per cent of Madeira's gross product and gives employment to around one in 10 of the total labour force, and very many more if you add in downstream support and supply services.

The industry peaked in 1991 with almost 400,000 tourist arrivals, compared with only 120,000 some 20 years earlier, hut it has come through hard times in the past two years with tourist numbers down almost 10 per cent last year as the European recession took bold. Visitors from Portugal apart, Britain has traditionally been the largest single market for Madeira, and while numbers were down last year, the UK still provided one in three of all tourists to the island. Other large national groupings were German, Swedish and French.

Madeira's tourist industry remains centred in Funchal and its immediate surronndlngs, where the vast majority of the island's 16,000 hotel beds are situated. But as the island's road network is extended west of Funchal and eventually to the northern coastline, it is hoped to decentralise the industry and spread tourist benefits to the poorer and mainly unspoiled parts of the region, albeit (it is claimed) with a tighter planning regime.

The most recent of three independent studies of the potential for tourist development, taking into account the size of the island, its population and the need for better balanced economic growth, has suggested an optimum numher of 25,000 hotel beds with the emphasis on four-star rather than *de luxe* accommodation.

Environmental considerations apart, there are certainly some limitations to immediate expansion. Larger aircraft and more direct scheduled flights to Funchal must await the further expansion of the runway at Santa Cruz and deregulation of the European airline industry to permit more carriers to land there. The indirect flights via Lisbon are both tedious and time-consuming, and TAP Air Portugal's present virtual monopoly on the Lisbon-Funchal route means that space is often hard to get. (The problem is aggravated for tourists by the fact that native Madeirans get concessionary rates on the Lisbon service, thus taking up a large slice of available tickets.)

Again, while Madeira has a wonderful climate – the average summer weather reading of 22 degrees falls to only 16 during winter months – it has no real beaches, so the hig hotels must provide swimming pools and this is inevitably reflected in accommodstion costs. The island does have some stunning scenery, exotic gardens, a well-development internal transport system of buses and relatively inexpensive taxis and marvellous facilities for walking through the mountains and along the Levadas, Madeira's wonderfully constructed 800km of irrigation channels that take water from the mountain tops to the fields and villages below.

Bnt the visitor wanting to experience one of the cleanest environments in all Europe, and to play or simply laze on more than 7km of fine sandy beaches, should visit (by short air trip, or by boat) the small island of Porto Santo to the north of Madeira and part of the same autonomous region. There are few cars for hire, but lots of taxis for sight-seeing, including to the house where Christopher Columbus lived for a while after his marriage to Isobel Moniz, the daughter of the local governor.

But be warned. Accommodation is very limited on Porto Santo so, as all the good guide books say, be sure to book in advance. Most of the smart people you will find there, especially during summer months, are the industrial and commercial elite from Funchal who know a good find, and who tend to keep quiet about it.

Reid's provides oasis of luxury

What hava the following in common: Lord Birkenhead, George Bernard Shaw, Sir Winston Churchill, Gregory Peck, Amy Mollison (nee Johnson), King Umberto of Italy, Sir Ernest Shackleton and the composer Pedro de Freitas Branco?

The answer is that all, at one time or another, were guests of Reid's Hotel in Madeira.

Even its commercial competitors speak of it with awe. Said one botelier: "In Madeira we have five de luxe hotels, and then there is Reid's!"

Reid's is not just an hotel; it is a luxurious tourist institution frequented by the world's great and good. It was opened in 1891 by Willy and Alfred Reid, three years after the death of their father, who was one of 12 children born to a Kilmarnock (Scotland) farmer in 1822. Fourteen years later, tbe family doctor recommended a warmer climate for the ailing son, William.

Now owned by the Blandy family, Reid's is unquestionably one of the world's leading hotels, perched on a rocky cliff point on the outskirts of Funchal and enclosed in an extensive garden which rivals the city's Botanical Gardens where William Reid lived in a quinta (large bouse).

Reid's today with its 152 luxury hedrooms, 21 suites, poolside restaurants, two dining rooms and adjacent Villa Cliff restaurant (soon to be converted into a bigh-class Italian trattoria) represents tourist living on a very grand scale. Here everyone still dresses for dinner, and in black tie. Your daily FT, or indeed any of the world's leading newspapers, doesn't quite come gift-wrapped, hnt it is hung on your bedroom door in a white linen bag.

Presiding over this expensive oasis is the Swiss-born Kurt Schmid, formerly of the Hotel Le Plaze in Basle, the Drake in New York and the Arthur's Seat in Cape Town. As Reid's general manager since the spring of last year, he gives the impression of appreciating that his botel's clientele is ageing and that there is a need to go for new business, mainly in Germany and North America. If tourists from there can pay for luxury, Reid's is still one of the world's uniqne havens. The golf, tennis, swimming and fishing for 250-kilograms marlin are simply an add-on.

Dominick Coyle

The island is best known for an eponymous product

New image for old wine

Peter Wise reports that vineyards once used for making table wine are switching to export varieties with European support

Madeira wine may never again attain the level of prestige advertising and customer-driven distribution channels it commanded from the 17th to 19th centuries. Falstaff celehrated Malmsey, the best-known variety, in *Henry IV* – an anachronism as the island had not been discovered at the time at which the Shakespeare play is set.

America's Declaration of Independence was toasted with Madeira wine. Tbe island's growing importance as a port of call in the 18th century led to voyagers such as James Cook and Horatio Nelson taking thousands of gallons on their journeys to south-east Asia and the Americas. By 1780 more than 70 Britlsh Madeira wina shippers were based in Funchal.

Today, only seven export houses remain, but the largest in terms of turnover are still dominated by Britons. The cachet of Madeira as a fine drinking wine has been undermined hy bulk shipment of more than half the island's production to be used mainly as a cooking ingredient in France and Germany.

Rising production costs have turned Madeira from being the cheapest to the most expensive of the three fortified wines – Madeira, port and sherry – in the past 20 years. And the limited scale of the Industry means that sbippers cannot support the marketing and distribntion costs required to stay ahead in an international drinks market dominated by big multinationals.

But steps are being taken to meet the cballenges that an age-old industry faces in an era of mass marketing. The Madeira Wine Institnte (IVM), a state body set up in 1979 to regulate and promote the wine, has set an ambitious target of not only doubling production from 3.2m litres a year bnt also of snbstantially increasing the quality of the wine and thus the value-added it produces for the island's economy.

Less than 2,000 bectares of terraced vineyards currently cultivate the four varieties of vine used in making Madeira wine. These produce Malmsey, a sweet, rich dessert wine and the best-selling variety; Bual, fragrant and full-bodied; Verdelho, elegant and golden; and Sercial, light, dry and served chilled as an aperitif.

"The forests and mountains that cover two-thirds of Madeira mean that our vineyards cannot he greatly extended," says Mr Alberto Casimiro of the IVM. But vineyards used for making the non-marketable table wine that many Madeirans drink at home are being converted to the cultivation of export varieties with the support of European Union funds. And vines used for producing wines for blending into Madeira will be replaced with superior stock.

More cultivation of the better vines will prodnce more high-qnality, hlgher-priced wine. This will put pressure on some exporters to place grester emphasis on hottled wine than on bulk wine destined for cnlinary sances, which is younger, less technically-demanding and cheaper to prodnce but also mnch less profitable. It remains to he seen whether the hig French and German importers who sell cheap Madeira under their own cooking-wine labels will also be willing to adapt.

Unlike port and sberry, which are also fortified with grape hrandy, Madeira bas been nnable to benefit from mechanisation. "The terrain is too hideously steep for any machine," says Mr Richard Blandy of the Madeira Wine Company, whicb accounts for 40 per cent of the quality bottled Madeira wine market, with annual sales of Es840m out of Es1.5bn for the whole industry. The other cost problem is that most vineyards are minuscule. His company buys grapes from more than 2,000 farmers each harvest.

But exporters are moving to cut costs and enhance quality hy improving their own prodnction methods. Henrlqnes and Henriqnes, a large sblpper, will open a new winery in Camara de Lobos, close to the vineyards, later this year. Madeira Wine is investlng Es800m, of which 60 per cent will be provided by EU grants, in a new winery in the same area. It is due to be ready for the 1996 harvest.

Madeira wine shippers are also developing links with bigger drinks companles to extend their marketing and distribution capacity. Warre, a leading group in the port wine trade, bonght a controlling stake in Madeira Wine in 1989. La Martinicaise, a large French lmporter of hnlk Madeira wine, has formed an associstion with the shipper Justino, apparently to guarantee supplies. Barbeito, another Funchal-based exporter, has estahlished ties with companies in Japan, tbe biggest lmporter of bottled Madelra wine after Britain.

Tentacles of a top hotelier

Continued from previous page

the centre of Funchal. With foresight – the Salazar dictatorship still ruled in Portugal – and using some of the early profits from his construction business Mr Pestana acquired a prime site in the city in the mid-1960s.

The timing of his arrival in Madeira could not have been better, coming immediately after the 1974 revolution in Portugal. He explains: "The whole country, including of course Madeira, was in a state of shock after the years of dictatorship. There wsre few entrepreneurs: no-one at that tims had the courage, resources or commercial vision to take the plunge in the new, free Portugal. As someone from outside, I guess I saw things differently."

His father's dream was soon fulfilled with the building of the Madelra Sheraton (since renamed the Madeira Carlton where Mr Pestana retains his executive offices), and was the foundation for the group's rapidly-expanded hotels chain on the island. His next move was into Portugal itself.

While tourism in all its forms – Mr Pestana is a believer in a totally integrated approach with the company controlling direct sales outlets, providing air transportation and accommodation – remains the sheet-anchor of the group, *its tentacles have moved much wider.*

In a dominant partnership deal, which is unusual to say the least, Pestana has joined with the regional government to control and operate the Madeira Development Company, and hence ownership (until the year 2017 under existing arrangements) of the industrial zone, the offshore *financial centre* and the embryo shipping register (MAR). Mr Pestana may be in bed with the local regime, but he makes no bones about who calls the shots; his 75 per cent stake is what counts.

And, to be fair, that appears to be the way that Mr Alberto Joao Jardim, the president of the regional government, likes it. The International Business Centre was concelved as an operation run for free enterprise businesses by free-enterprise businessmen. The founding philosophy was to keep the bureaucrats at bay and red tape to a minimum, maximise fiscal and other operating concessions and get as much development money as possible out of Brussels (the European Union).

Taming the hureaucrats and getting the necessary enabling legislation through the central government and parliament in Lisbon did, however, take its time – in fact almost the entire decade of the 1980s. But Dionisio Pestana was not idle. When not alternatively praising and threatening the regional and central governments, he was busy scouting out other similar tax-free facilities, making a special study of the industrial zone at Shannon in Ireland and of the Dublin financial services centre.

Does his considerahle hold on the island's economy bring with it social obligations to the wider community? Mr Pestana reflects for a while before saying "No. We're in husiness for profits, to make money. All our enterprises are designed to be profitahle, hut it doesn't always happen that way. To that extent, I guess, we often do end up with a social input." As an afterthought, and without clarification, he mentions that he does have a "small foundation".

"All our enterprises are designed to be profitable, but it doesn't always happen that way"

The collective "ws" and "our" in his replies seem to run against the man's very image, a style and approach suggesting that he rules his husiness empire like a dictator, a one-man executive hoard. Again, a brief period of reflection, and then Mr Pestana rattles off the names of his top aides and departmental managers. Most notably, he mentions the widely-respected Mr Francisco Costa, who heads the Madeira Development Company.

But there is a small slip. "Costa is my man on the company; we meet every second Monday for discussions and policy decisions." Its all rather precise, but then Mr Pestana is a precise man, but he is not without wit and a good deal of charm. He prefers living on Madeira rather than in Lisbon because he can get around quicker and avoid the social circle in the Portuguese capital. That, he implies, would be rather a waste of profitahle working time.

One thing is for certain: Manuel Pestana, now in retirement, can be proud of his boy.

Dominick Coyle